

THE IMPACT OF
MAJOR SELECTED BRITISH INTEREST GROUPS
ON THE BRITISH BUDGET
AND BUDGETARY PROCESS

Karl A. Kowalski

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ON THE BRITISH BUDGET AND BUDGETARY PROCESS

By

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INTRODUCTION

The word "budget" originally meant the money bag or the public purse, which served as a receptacle for the revenue and expenditure of the state. In Britain the term was used to describe the leather bag in which the Chancellor of the Exchequer carried to Parliament the statement of the Government's needs and resources. Eventually the term came to mean the documents which were contained in the bag--plans for government finances submitted for the approval of the legislature.¹

Background

Budgets are planning documents. Some say they are only measurement tools that assist management officials, whether they be boards of directors or elected officials of governments. Still others claim that budgets are a communications device that translates the wants and desires of the public into actual policy commitments of the government. Each of these phrases contains an essential element of the true definition. A budget is a planning document that can measure the economic stature of a country and should reflect the desires of the people. It is a financial plan that reflects the necessary fiscal and monetary policies that are beneficial to the national interest. This national interest also has a variety of meanings, but in its basic form it is simply the will of the people. Failing to provide for this will, many government officials find they are victims of ever-increasing attacks by the opposition party or, in the extreme, are voted out of office.

¹ Jesse Burkhead, Government Budgeting (New York: John Wiley & Sons, Inc., 1956), p. 2.

In America, this will of the people is the *raison d'etre* for the political parties as they attempt to secure budgetary goals for their constituencies. In reaching budget decisions, the parties must also relate to the wants and desires of other population segments--namely, interest or pressure groups. These types of groups contain all elements of the constituencies who, by their specialized nature, possess particular information that assists officials in making responsible decisions. While these groups are formed for a variety of reasons--such as the environmentalists grouping to contain pollution, or the local music appreciation groups meeting to petition for a noise-abatement program in a town--the most common reason for forming is essentially economic. In seeking economic goals, budgets thereby become a major focus of their attention. By no means is this economic preoccupation to be considered a current trend. James Madison appreciated this state of affairs when he wrote about different interest groups and their motives:

Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors and those who are debtors fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests grow up of necessity in civilised nations, and divide them into different classes, actuated by different sentiments and views. The regulation of these various and interfering interests forms the principal tasks of modern legislation and involves the spirit of party in the necessary and ordinary operations of the government.¹

¹James Madison, "Federalist Paper Number 10," in Annals of America Series of Encyclopedia Britannica, III, p. 297.

For these reasons, officials must use a variety of trade-offs in accommodating such diverse wants. Coping with the wants of constituencies and powerful interest groups requires a delicate balancing and weighing by the official as he approaches budgetary decisions.

Although this may be the case in America, the role of interest groups in shaping the British budget may be of a different nature. The purpose of this study is to identify the role and analyze the significance of such groups in the budget-making process. Burkhead states that the "highly centralized responsibility for financial planning by the executive, so important in the British budget system, is a direct product of the pattern of relationships between the Cabinet and Parliament."¹ In examining this position, it is necessary to judge the impact of external influences on this relationship. While Britain's development in budgeting has resulted in such centralized responsibility, there have been parallel developments caused by the economic environment in that pressure groups are getting more and more vocal. With this increased vocalization and activity, pressure groups are a force that must be considered in the shaping of any budget policy.

Research Question

In writing this thesis, the basic research question to be answered is: To what extent do major interest groups in Britain influence the

¹Burkhead, Government Budgeting, p. 5.

budgetary process? Realizing that a study of interest groups in any given country can well start off with over a hundred-page list of them alone, I have selected only two major ones for this analysis. These two groups are the Trade Union's Congress (TUC) and the Confederation of British Industries (CBI). In support of this major question, the following subsidiary questions should enable an extensive view of the subject:

1. What are the characteristics, composition, and policies of the largest interest groups in Great Britain?
2. How does the budgetary process operate in Great Britain?
3. At which points of the budgetary cycle does it accommodate interest group pressures and information?
4. What are some indications of responsiveness by the Treasury and the Parliament to interest group activities?

Methodology and Organization of the Study

In order to approach this subject, the initial efforts will be made to acquaint the reader with the descriptive attributes of the major interest groups that exist in Great Britain. For this purpose, the TUC and the CBI have been chosen as focal points instead of others, such as the National Farmers Union or the National Union of Manufacturers. These latter organizations are also major groups that are influential in the current European Common Market aspirations of Great Britain; however, the former two groups have a longer history, are more amenable to

political process analysis in their support for political parties, and constitute larger memberships. Since there are differences in the budget processes from American practices, it is necessary to develop this actual process in the formulation and legislative authorization stage and tie in the methods and techniques employed by these interest groups as they seek to influence. The actual evaluation and assessment method to be used will be a comparison method from the official publication each group sends to the Chancellor of the Exchequer prior to Budget Day with the actual budget speech, and subsequent bill by the House of Commons.

Chapter I will relate the interest group information, and Chapter II will discuss the budgetary process and the roles of the principal actors in that process. Chapter III will present a discussion of the methods and techniques utilized by each group to influence the budget. In order for this report to have currency, the fourth chapter will discuss the 1970-71 budget and the outcomes measured against the desires of each group.

In addition to the secondary sources of information, such as books by British authors on interest groups, political processes, and budgetary textbooks, much reliance will be placed on primary information from government policy statements, the Weekly Hansards (House of Commons Debates), and committee reports of the various groups. To supplement this information, trade journals, manifestos (party policy doctrines), and evidence reports to the Treasury will be used. In

evaluating the interaction between Government officials and group members, two interviews have been scheduled with members of the British Embassy: Mr. Campy of Industrial Relations has had long associations with the TUC and CBI, while a Mr. Clift of the Economic Section has had long Treasury experience.

CHAPTER I

INTEREST GROUPS IN GREAT BRITAIN

General Group Theory and Interest Groups

Except for a few hermits and "knights of the road," we are always to be found in groups of one sort or another: we are brought up and usually live in families, attend schools and church, play football in teams, work in factory, office or Government Department, become members of a trade union or college, join a political party or the Women's Institute, are elected to Parliament, even go to gaol. The whole structure of modern society is associational.¹

This description by Wootton indicates the pervasiveness of groupings in society in an implied cradle-to-grave manner. Besides being born into one such grouping, individuals go through life and join other groups mainly on a voluntary basis. They do so because membership can afford them the opportunity to share common beliefs and seek common goals. Individuals are influenced by this membership and, in turn, they expect the collective personality of the group to influence outside external sources. Earl Latham feels that this external dimension of influence is possible only when the groups become formally organized with clearly defined goals. Under these conditions, groups become structures of power because they concentrate human wit, energy, and muscle for the

¹Graham Wootton, The Politics of Influence (London: Routledge and Kegan Paul, Ltd., 1963), p. 3.

achievement of given purposes.¹

The importance of these formal organizations and the power they wield, whether real or imagined, leads to the development of a pluralistic doctrine of politics. This doctrine recognizes that the conduct of government affairs depends on two structures, namely:

. . . Official and unofficial groups, as distinguished by their decision-making powers. The "official" group embraces the Cabinet, Parliament, and the Ministries. We speak of "unofficial" groups as those involved in the petitioning side of the political process.²

Latham points out that this doctrine is a departure from the old idealist type philosophy of government by stressing the writings of the Twentieth-Century political philosophers:

Figgis, Maitland, and Laski showed that many of the ideal-ist assumptions were contrary to fact; that the state did not absorb all the loyalties of the individual in the political community, as had been asserted, but that many lesser associations also made claim to the faith, attachment, devotion, and obedience of the individual, such as church, corporation, and trade union, and these claims were acknowledged by responsive behavior.³

Such a philosophy is also prevalent in current times because of the nature of the dynamic world change. Indeed, Baskin illustrates the reasoning of this ideology:

The increasing complexity and the quickening pace of change in modern society prompt an increase in both the penetration of society by government and cooperation among individuals in behalf

¹Earl Latham, The Group Bases of Power (New York: Octagon Books, Inc., 1965), p. 12.

²Wootton, The Politics of Influence, pp. 4-5.

³Latham, The Group Bases of Power, p. 12.

of their shared interests. These separate developments converge in the increasing tendency of organized interests to turn to government for aid and cooperation in order to secure their own private purposes in society.¹

Given the importance of groups and their existence in society, these structures of potential power are given many names in the literature. Milbrath defines such groupings as:

. . . Interest groups which have an interest in adopting a policy which will benefit a certain segment of the public but which will not be beneficial for the general public.²

Key, on the other hand, defines such groupings as pressure groups that constitute special segments of the society, which are an animating force in the political process. This animating force indicates that the groups are not merely sounding boards for public policy but are active participants that employ strategy and activism in reaching their goals.³ Finer offers still another definition: he implies that the group possesses some kind of sanctions authority that would be applied if a demand is refused by government. Under this concept there is the direct possibility of the use of threats as a weapon.⁴

¹Darryl Baskin, "American Pluralism," Journal of Politics, XXXII (February, 1970), 73.

²Lester W. Milbrath, The Washington Lobbyists (Chicago: Rand McNally and Company, 1963), p. 29.

³V. O. Key, Jr., Politics, Parties, and Pressure Groups (5th ed.; New York: Thomas Y. Crowell Co., 1964), p. 17.

⁴S. E. Finer, Anonymous Empire (London: Pall Mall Press, Limited, 1958), p. 3.

Although there are many definitions and labels for such groups, this thesis will examine groups as pockets of specialized interests that can take on some appearances of applying pressure. This pressure, though, is not constant or consistent in its application; rather, it may be such tactics as a large-scale approach of the membership to the legislative lawmakers or single approaches of the members to the Ministries. Consequently, the referenced material contained herein will rely on the interchangeability of the two words: pressure and interest. This is not done to confuse the reader; rather, it is a reflection on the part of the author that the two terms are considered synonymous.

Any descriptions of group activity must also consider the nature of the objectives that the group espouses. The general areas of the objectives fall into two broad categories of "economic objectives and non-economic objectives." Wootton identifies these general characteristics of over-all British group objectives by focusing on the economy of the country:

The production of goods and services in this country gives rise to an economic surplus and thus it is the business of many pressure groups to influence its own allocation in a certain way.¹

This theory, which centers around economics, is not an illusion but a mirror of the real world. Latham also asserts that the discussion of

¹Wootton, The Politics of Influence, p. 7.

groups must indeed contain the economic ramifications for economics is one of the focal points of group theory.

The economic theory of a century ago fixed the nature of the economic universe by definition and tended to derive its characteristics by deduction, an economic world inhabited by a multiplicity of individuals in isolation, when combination was a pathological deviation. Such a defined (not observed) universe could not fail to work--in the realm of discourse. So far have we come from this view that a whole new vocabulary has been invented to explain the operations of an economic community formed of aggregations, clusters, blocs, and combinations of people and things--not individuals in isolation.¹

This economic preoccupation is the prime concern of this thesis as the interactions and processes of interest groups are analyzed with respect to the British budgetary process.

Types of British Interest Groups

It has been said that whenever two or more Englishmen are gathered together there exists a club. British society as a whole is a mass of clubs and associations.²

This statement indicates that there are a multitude of specialized interests in Great Britain that clamor for recognition of their goals and objectives. In the latest Directory of British Associations in 1967, there are some 6,000 organizations listed that are national in scope. If the professional and charitable units were removed, there would still be perhaps well over 3,000 organizations that are characterized by special economic interests,

¹Latham, The Group Bases of Power, p. 5.

²Sir Ivor Jennings, K.B.E., Q.C., Parliament (Cambridge, England: The University Press, 1957), p. 185.

and this does not include the local organizations that are often petitioning their government.¹

The classification of these organizations is quite difficult in that every segment of the economy is affected by the "joining" attitude of the Twentieth Century. Beer sees two large categories: producer groups and consumer groups.

Producer groups represent the main sectors of the economy: trade unions, trade associations, and professional organizations. Consumer groups are all others where a number of voters whose material well being is affected in the same way by some measure of government action, actual or prospective.²

This type of classification scheme is too broad as it does not pinpoint the sectional interests that vie for attention. Finer's classification system is more useful in that he shows how different needs can be satisfied by the wide variety of interest group organizations. His studies indicate eight categories exist--namely, the Business Group, the Labour Group, the Cooperative Movement, the Professions, Civic Groups, Specialized Groups, Religious Groups, and Education/ Recreational groups.³ Table 1 illustrates these classifications and presents examples of each category. This scheme is not sacrosanct nor perhaps is it fully comprehensive;

¹Ibid., pp. 185-188.

²Samuel H. Beer, British Politics in the Collectivist Age (New York: Arnold A. Knopf, 1965), pp. 320 and 344.

³Finer, Anonymous Empire, pp. 8-17.

SAMPLE OF BRITISH INTEREST GROUPS BY CLASSIFICATION

Classification	Examples	Purpose
Business	Confederation of British Industries National Union of Farmers	Promote prosperity of British industry Promote interests of those engaged in agriculture and horticulture
Labour	Trades Union Congress	Improve economic and social conditions of workers in all parts of the world.
Cooperative Movement	Cooperative Union	Advisor, organizer, and spokesman for the British cooperative movement
Professions	British Medical Association National Union of Teachers	Promote medical/allied sciences Promote teachers' interests in England and Wales
Civic	Royal Society for Prevention of Cruelty to Animals Central Council for the Disabled	Promote kindness to animals and free veterinary service to needy pet owners Investigation of causes for crippling
Special	British Legion British Limbless Ex-Servicemen's Association	Promote ex-servicemen's interests Specialized promotion group
Religious	The Church Army Christian Endeavour Union	Pledged to the practice of the Church of England Interdenominational spiritual fellowship
Educational/Recreational	British Actors Equity Association	Promote cultural flavor of British stage

Source: Finer, Anonymous Empire, pp. 8-17; and Current British Directories Series, Directory of British Associations (Beckenham, England: C B D, Ltd., 1967), 2d edition, Alphabetic Listing.

however, it does point out that Great Britain's interest groups are "innumerable and ubiquitous."¹

Interest groups do not have to be permanent institutions such as the Trades Union Congress or the National Farmers Union in order to build a successful following that may bring influence to bear. Some of Britain's interest groups are also formed for one-time purposes, such as the Popular Television Association. Wilson describes this organization's purpose as a group of individuals that desired commercial television in Great Britain.

Their efforts in furthering the enactment of the Independent Television Act of 1954 were considered more effective than the Conservative voters of the period, the constituency organizations, or even the members of the Parliamentary Party.²

He attributes their participation as being one of the key factors in the legislation's success. The various types of groups that exist in Great Britain, whether permanent or temporary, all have the common denominator: to influence external sources, government or others, to derive benefits for their members.

The Selection of Two Major Interest Groups

Because of the large number of groups that have potential power to influence government actions, it is necessary to limit this thesis to the

¹Ibid., p. 17.

²H. H. Wilson, The Campaign for Commercial Television (London: Secker & Warbury, Ltd., 1961), p. 208.

two major interest groups. The selection of the TUC and the CBI is not arbitrary; rather, it is a calculated effort based on the nature of their organization, the feeling of the general British public, and the reliance that the government places on these organizations for information. For these reasons, such groups as the National Farmers Union or the myriad number of individual unions, while important in the conduct of British affairs, are not suitable to such a micro-study.

For the first reason, both of these industrial organizations claim to represent the majority of employees and employers in Great Britain. In this age of collective bargaining and negotiations, where wages and prices play such an important part in the economy of a country, it is necessary to focus on the policies and programs of these organizations. The British budget has a profound effect on the lives of such people and because of its economic consequences, it is only natural to examine their relations to the government. Additionally, both groups also present opposing forces as they seek to attain their objectives. The TUC aspires to better working conditions for its members, a higher standard of living, and the enjoyment of the fruits of their labor through obtaining more consumer income. The CBI, on the other hand, seeks the old standby of freedom of restraint of their managerial processes, which must include a minimization of costs of production. Such forces, diametrically opposed, must indeed bring their battles to the political arena.

Secondly, these two groups represent considerable influence in the minds of the general public. In 1964, Richard Rose and Harve Mossawir conducted a study of the North Stockport constituency. This study provides an analysis and comparison of British public views on certain topics and is considered to be an over-all generalization of the British public at large. While it was only a small sample, the typical nature of the sample groups is considered representative of the voting constituencies of Great Britain. In this survey, the respondents were asked to rate five choices of influence in the nation. The results in Table 2 indicate that 81 and 63 per cent of the respondents felt that big business and trade unions influenced the government a lot or too much.¹ Clearly, these two groups have set up perceptions in the general public's mind about their influence capabilities at the government level. Such perceptions may be subjected to an analysis of interest group influence.

Thirdly, government in the day-by-day affairs and policy formulation places great reliance on these two groups for information and consultation purposes.

The government knows that these groups have particular knowledge, not merely of opinions, but of facts. The statistical and research departments of these groups can supply information with a technical know-how and an expertise that provides government with a sound test.²

¹Richard Rose and Harve Mossawir, "Voting and Elections: A Functional Analysis," Political Studies, XV (June, 1967), 185-186.

²J. D. Stewart, British Pressure Groups (Oxford: The Clarendon Press, 1958), p. 6.

TABLE 2

INFLUENCE OF GROUPS UPON GOVERNMENT AS SEEN BY SAMPLE

Group	A Lot	Too Much	A Little	None	Don't Know
Prime Minister	62%	5%	22%	5%	6%
Members of Parliament	54	4	31	8	3
Big Business	52	29	11	2	6
The Press	46	11	27	9	7
Trade Unions	39	24	24	2	11
Television	36	6	30	18	10
Senior Civil Servants	30	6	30	12	22
Church of England	17	2	39	31	11
The Queen	13	2	35	43	7

Source: Richard Rose and Harve Mossawir, "Voting and Elections," p. 185.

Additionally, he feels that these groups have been brought into the formal structure of government through advisory committees. These advisory committees are a public recognition of the groups as rightful bodies to advise government.¹ The extent of such participation will be explored in Chapter III.

The TUC and the CBI are only two of the interest groups in Great Britain, but the potential influence they exert upon government may be extensive, as seen by the foregoing statements. It is now necessary to look

¹ Ibid., pp. 7-9.

at these organizations and see how they derive the power attributed to them by government and the public at large.

The Trades Union Congress

This organization, national in scope, comprises some 10,302,000 members out of a potential work force of 25 million. This membership is approximately 41 per cent of the British work force and its significance is important if measured against the 1969 United States figures of 18,774,000, or 23 per cent that is a unionized work force. The total number of British trade unions that are represented is 150 national unions with indirect links to over 150 more localized unions. Of more importance, all large national unions representing over 100,000 members are affiliated except the National Union of Teachers.¹

The unions that constitute the total are representative segments of every trade imaginable. Table 3 highlights this classification system and it is quite apparent that the TUC comprises a potential power if not by its actions at least by its size and diversified membership. What is not evident from the table is the fact that only six individual unions from the 150 total constitute over one-half of the total TUC membership, and these six can effectively make policy for the annual conferences by right of their block voting power. The six by name are the Transport and General Workers' Union; the National Union of Mineworkers; the Amalgamated Engineering

¹Allen Campy, Assistant Labor Attache, interview held at the British Embassy, Washington, D. C., February 25, 1971.

TABLE 3

TRADE GROUP AND NUMBER OF UNIONS

Group	Number
Mining and Quarrying	3
Rail ways	3
Transport	9
Shipbuilding	3
Engineering, Founding, and Vehicle Building . . .	13
Technical, Engineering, and Scientific	5
Electricity	1
Iron and Steel and Minor Metal Trades	12
Building, Woodworking, and Furnishing	9
Printing and Paper	6
Textiles	25
Clothing	5
Leather and Boot and Shoe	5
Glass, Pottery, Chemicals, Food, Drink, Tobacco, Brushmaking	11
Agriculture	1
Public Employees	11
Civil Servants	14
Professional, Clerical, and Entertainment	12
General Workers	2
Total:	150

Source: Whitaker's Almanack, 1971 (London: J. Whitaker & Sons, Ltd., 1971), p. 1117.

Union; the National Union of General and Municipal Workers; the Union of Shop, Distributive, and Allied Workers; and the National Union of Railwaymen. Their combined total representation is over 5 million.¹ The trade movement and TUC involvement is a far cry from the 118,000 members who were represented in 1868 when it was founded.²

In September of every year, the TUC holds an annual conference for the purpose of electing new officers, discussing policy positions, and holding discussions on the Annual Report of the General Council. This conference consists of 1,000 representatives that are chosen to attend from the various trade groups. The selection of these candidates is based on a proportionate basis with the membership that the trade group represents. The primary purpose is to elect a General Council of 36 representatives who constitute the working body of the Congress on a year-to-year basis.³ In addition to the trade group representatives, provision is also made for the election of two women, and all unions with women members may nominate candidates for these seats.⁴ In addition to this General Council, a General Secretary is an elected official, who is charged with carrying out

¹Bryn Roberts, The Price of TUC Leadership (London: George Allen and Unicorn, Ltd., 1961), pp. 124-130.

²Trades Union Congress, Trade Unionism: Evidence in the Royal Commission (London: Cooperative Printing Society, 1967), p. 1.

³Ibid., pp. 6-18.

⁴Political Economic Planning, British Trade Unionism (London: Political Economic Planning, 1955), p. 133.

the policy of the Council. The Council itself meets once a month on over-all planning and policy, but the members of the Council are also chairmen of the working departments of the TUC which carry out the day-by-day workload. These departments are the Economic, Education, International, Organizational, Production, and Social Insurance Departments.¹ These units are the ones that maintain the close liaison with Ministries, with the different unions, and with their counterparts of industry--the employers. The maintenance of this structured organization is by monthly assessment of dues on each of the affiliated unions.

The over-all central purpose of the TUC is "to provide a continuous association of wage earners for the purpose of improving the condition of their working lives."² To achieve this set purpose, the Evidence provided to the Royal Commission indicates the following six objectives:

1. To promote full employment and national prosperity--full employment is the precondition for rising output and rising real income.
2. To promote security of employment and income--there can be no national interest without providing for individual interests despite change.
3. Fair share of national income and wealth--to achieve a more equitable distribution of income for all.
4. Voice in government--to prevent arm's length bargaining with government--thereby permitting two-way influence.
5. Improvement of public and socialized services--to improve the social security aspect for the worker.

¹ Trades Union Congress, Evidence in the Royal Commission, pp. 18-19.

² Ibid., p. 32.

6. To promote industrial democracy--enhance the collective bargaining structure throughout industry.¹

These objectives are clear-cut and sound very impressive; yet, the scope of its over-all authority is limited by the nature of its membership. The unions are autonomous members of the organization that withholds the authority of speaking out on certain subjects. While this autonomy may not affect the policy discussions or consultations, each member union maintains its individual right. A case in point is the right to strike, which is not vested in the Congress but in the individual unions. Roberts sums up this right of autonomy by stating, "Neither Congress nor the General Council can override the autonomy of the affiliated unions and none of their decisions is binding upon the affiliated unions."² Although this appears to be a serious limitation, one has only to look at the over-all objectives and see that such decisions as requesting tax cuts, increased old-age benefits, or dissolution of purchase taxes may not cause too much conflict with the member unions.

The TUC is a formal organization designed to meet members' needs.

From a struggling pressure group the TUC has become a major influence on the social, political, and economic life of the country. It is an axiomatic feature of any government's policy for the TUC to be consulted on all matters affecting employment.³

¹Ibid., pp. 32-55.

²Roberts, The Price of TUC Leadership, p. 32.

³E. G. Armstrong, Industrial Relations (London: George G. Harrap & Co., Ltd., 1969), p. 51.

How that influence affects budgetary policy and budget decisions is the question to be answered.

The Confederation of
British Industries

This interest group, unlike the TUC, has almost 95 years to go before it celebrates its centennial. Chartered on July 30, 1965,

. . . the CBI has been founded to promote the prosperity of British Industry. It combines in a single, democratic, and voluntary association the roles previously played by the British Employees Confederation, the Federation of British Industries, and the National Association of British Manufacturers.¹

Today, this company consists of 11,400 individual companies and their affiliates; 218 separate trade associations; 14 associate members (the nationalized industries); and 4,000 small independent firms. In addition, the organization has representatives in over 100 foreign countries.² If sheer numbers have any effect or relationship to influence, the CBI is more powerful than the TUC. The comparison that Armstrong makes is of the member industries and the number of employees that the member employs. In this way he sees that "in many major industries, federated companies employed 80 per cent or more of the industry's work force and in few industries is the proportion below 50 per cent."³ This comparison is not without meaning since the TUC can speak for only 41 per cent of the

¹"C.B.I. Launched," Board of Trade Journal, CLXXXIX (September 17, 1965), 616.

²The Times (London), February 19, 1971, p. 23.

³Armstrong, Industrial Relations, p. 63.

labor force and there is a possibility that the CBI may provide the leadership in industrial and economic relations. Of course, such large numbers can also affect policy making because of the diversity of the employer members.

The creation of the CBI, or even any of its antecedent employer associations, did not come about by accident. The trade union movement sought to eliminate the "rational-economic" man theory from the minds of management as it proclaimed the dignity of man. With the inroads that it made in removing sweat shop techniques, reducing long working hours, and raising wage levels, the trade unions became a pressure on management. To answer these demands and meet the pressures of the trade unions, management and employers created associations to fill this need. The importance of the growth of employers associations is also evident from the changing technology and the need for government controls on much of the economic structure of the country. As Samuelson points out, western countries have a mixed economy--elements of government control intermingle with the private market elements to organize production and consumption,¹ which, in turn, creates a need for management to band together for effective bargaining. For these two reasons, employers associations sprung up and will probably remain for a long time.

¹Paul A. Samuelson, Economics: An Introductory Analysis (7th ed.; New York: McGraw-Hill Book Company, 1967), p. 48.

Employer organizations are of three varieties:

1. A type designed to protect and promote trading interests of the firms.
2. A type that acts on behalf of the firms in their capacity as employers.
3. A type that caters both for the trade and employment functions of firms.¹

The CBI comprises in its membership all of these types as can be seen by a partial listing of its members. Such members as the National Union of Manufacturers would be interested in the third type for their membership is a cross-section of industries that are plagued by employer actions and because they seek external as well as internal markets for their member firms. The National Chamber of Trade consists of retailer members who as members of CBI seek trading freedoms. The British Employer's Confederation is concerned with employee-employer relations in the collective bargaining field and they, too, form a core of the CBI membership under a predominant type-two category.² The CBI embraces the totality of the British economy and must be considered a potential influence in budgetary decisions.

Like the TUC, there is a governing secretariat of 400 members that are selected yearly from the large, medium, and small business and employer associations. Unlike the TUC, the CBI does not meet annually to

¹Armstrong, Industrial Relations, p. 54.

²Finer, Anonymous Empire, pp. 8-9.

decide over-all policy or elect representatives; rather, the selection process is based on mailed ballots and questionnaires to the members. The day-by-day functioning of the organization is handled by 27 steering committees that parallels the functions of the TUC departments. The major difference between these groupings is that specialized needs such as Finance, Taxation, and Income policy are differentiated in the CBI, while amalgamated in the TUC under the Organizational Department. The financing of this organization and their committees are by annual subscription based on wages paid for the previous year by the firm. This financing, such as one shilling per every 100 pounds paid wages, provides flexibility of financing that makes provision for prosperous or recession times.¹ This structure does, also, enable them to provide the multitude of functions that its membership requires.

The functions of the CBI are four-fold:

1. Establish negotiation with unions on basic wages and conditions as well as serve as the employer's representative in devising procedures for avoiding disputes. In this function, CBI liaison with the TUC is essential.
2. Serve as "political" agent for its members by making representations to government departments and ministers.
3. Provide a central agency of advice, help, guidance, and information to its members.

¹"C. B. I. Launched," p. 617.

4. Serve as representatives on many advisory committees with government and private individuals or associations on technological problems.¹

Like the TUC, the membership is not bound by resolution and decisions. It appears that both organizations are not decision-making bodies that can command, but rather they serve as information-processing vehicles that advise the membership and government of general over-all economic policy. This does not say that they cannot provide services, for clearly their functions indicate a pooling of expertise is essential in providing a united front. However, the autonomy of the membership appears to hamper both organizations in their attempt to be "true" spokesmen for their groups.

Clearly, the TUC and the CBI must have some influence on government policy. It is the task of this thesis to examine the relationships with government and to assess the influence on the budgetary decisions of Great Britain's government.

¹Armstrong, Industrial Relations, pp. 59-61.

CHAPTER II

THE BRITISH BUDGET AND BUDGETARY PROCESS

The British Budget is no longer one of the great events of Western civilization, an American economist said recently, but it is still interesting and it has its own mystique. In the United States, the budget is a bore to the average American. In Britain, the budget brings to almost everyone instant delight or despair. This is because it is the annual message that raises or lowers excise taxes and often changes corporate taxes and sales taxes. Consequently, it is seen not only as a means of raising revenue and redistribution of income but also as a stimulus or a restraint on the economy. The Budget is /therefore/ a centerpiece of economic management.¹

From this description, it is apparent that the budget is an important event in the life of the British. In order to evaluate the effect of influence on this document by the TUC and the CBI, it is necessary to trace broadly its historical development, to identify the budgetary process, and to investigate the roles of the major governmental actors in its formulation stages. Such an exposition will enable a clearer perspective of how these groups can influence the budgetary decisions as well as highlight the major recipients of the interest group's "pressures" and information. These descriptions will also help in identifying the constraints that the interest groups must work within to achieve their objectives.

¹ John M. Lee, "British Budget Day Approaches," The New York Times, April 13, 1970, pp. 63-65.

Historical Development of Budgetary Practices

The roots of British budgeting can be traced back to the times of King John. The first effort of developing a budgetary concept was strictly related to the taxation question and, surprisingly, initiated from the Monarch.

In 1213, he summoned to Oxford four knights per shire (local authorities in charge of the actual assessment and collection of taxes), appointed by the sheriffs to discuss taxation.¹

This first step towards representative consultation on questions of taxation was followed by the Barons at Runnymede when they "extracted the famous concession that no extraordinary scutage or aid shall be imposed on our kingdom unless by common counsel of our kingdom."² The Parliament of this century was still not completely representative since it consisted mainly of supporters of the monarchs and reigning officials. In 1295, Edward I set up the first "model parliament." It was a model parliament in that it adequately represented all classes. From the nobility came earls and barons; from the clergy came archbishops and bishops, and abbots and priors and deans of cathedrals; and from the commons came two knights per shire and other representatives from more than one hundred cities and boroughs. In 1332, this city and borough representation, as well as the knights, formed the House of Commons. The development of the principle

¹Paul Einzig, The Control of the Purse (London: Secker and Warbury, 1959), p. 36.

²G. M. Trevelyan, A Shortened History of England (London: Penguin Books, 1959), p. 147.

of taxation by consent and the major instrument of control on that principle thus began in the Fourteenth Century.¹ This was true even though the principle came to be violated in the ensuing centuries by some "absolute monarchs."

Despite the violations of the principle, the Commons started evolving real control over taxation by placing conditions on taxation for certain specified purposes. Although indirect taxes as well as customs duties were considered ancient rights of kings, the Commons authorized them for specified, although long, periods of time. On all direct taxes, however, the Commons granted them for shorter periods, usually for one year, so the King was compelled to summon this House more frequently.² Control over revenues was more evident in this period than control of expenditures.

It was not until the Seventeenth Century that saw the development of direct parliamentary control over expenditures that supplemented the indirect control which the raising of revenues had provided. During the reign of Charles I, two important committees were created--namely, the Committee on Supply in 1629 and the Ways and Means Committee in 1641. The former sat as a body to vote expenditures, while the latter's function was to raise the money for Supply out of existing funds or create new ways to finance such expenditures. These committees have stayed in existence

¹Arthur Lyon Cross, A Shorter History of England and Great Britain (New York: The Macmillan Company, 1939), p. 115.

²Einzig, The Control of the Purse, p. 49.

through the present day.¹

In the latter part of the Seventeenth Century, when Charles II found himself in financial difficulties because of the Dutch war and his personal extravagances, bargaining became a tool that enhanced the Commons' supremacy. Finances voted to the King became earmarked for definite purposes, parliamentary audit of the King's accounts started in 1667, and a resolution was approved by Charles that all bills of Supply should originate in the House and they "ought not to be changed or amended by the Lords."² After the Revolution of 1688, further advances in expenditure control were achieved in that the Civil List (1688-89) was created. This list "separated the expenditures of the Crown from the expenditures of the state and the Crown expenditures were limited to a specified amount."³ Through the Eighteenth Century, the Commons consolidated the gains in expenditure control by the passage of the Customs and Excise Act of 1787. This Act

. . . provided that the several duties of Customs, Excise, Stamps and many more should be carried to, and constitute a Fund to be called the Consolidated Fund and which then directed that all public annuities should be payable out of the Consolidated Fund.⁴

¹Cross, A Shorter History, p. 370.

²Ibid.

²Burkhead, Budgeting, p. 3.

³Sir Herbert Brittain, K. C. B. , K. B. E. , The British Budgetary System (London: George Allen and Unwin, Ltd. , 1959), p. 14.

This Civil List and Excise Act provided a backdrop for the firm presentation of facts and figures on the finances needed to carry on the affairs of the Crown as well as of the state.

These developments all helped to create the "executive budget" concept. Originally in 1380, Sir John Gildesburgh, the Speaker of the House, proposed that the King should prepare a clear statement of sums involved while the King's Council should produce the schedule of such sums. This concept developed individual bills but never a complete summation of financial plans of the King. After the Revolution of 1688 and the true birth of parliamentary government, "Standing Order 66 of the House" formalized the aspect that only executive proposals form the basis of money requests. Through the ministers, the responsibility of the Crown to recommend financial requests was implanted and the House of Commons made sure this responsibility was fixed.¹

The complete budget presentation concept as one complete document was not significantly developed until the Gladstonian era starting in 1853. He ushered in the era of fiscal responsibility by presenting a budget that was similar to a consolidated cash budget. All items of expenditure were listed and the means he proposed to raise the necessary revenue. Uses and sources of funds were spelled out in definitive arithmetical terms.² Gladstone was also responsible for the:

¹Samuel Brittan, Steering the Economy: The Role of the Treasury (London: Secker & Warbury, 1969), pp. 71-72.

²Cross, A Shorter History, p. 756.

. . . creation of the Public Accounts Committee in the Commons in 1861, although the Committee became a really effective instrument only after the Exchequer and Audit Department Act of 1886, another milestone in the history of Britain's financial administration.¹

These acts set up a parliamentary committee to review expenditures and an independent Comptroller and Auditor General to carry out audits on spending. Legislative control and the essentiality of executive responsibility became crystallized concepts.

The final development that enhanced the supremacy of the Commons of the two Houses of Parliament in budgetary matters was the passage of the Parliament Act of 1911. The House of Lords was subordinated to the House of Commons in that financial legislation may become law within one month of its being passed by the Commons, regardless of the attitude of the Lords. Such financial legislation is that which has been so designated by the Speaker of the House of Commons. This Act was a direct result of the dispute on the 1909 Budget when the Lords rejected the same in toto. The House of Commons thus developed, after 600 years, its major position on financial bills and related Budget proposals.²

Since King John, every passing century has contributed elements to the budgetary process in Great Britain. The significant landmarks: supremacy of the Commons; executive responsibility for the budget; elements of

¹ Sein Lin, "Legislative Control of Public Expenditure Through Statutory Audit" (unpublished Master's thesis, The George Washington University, 1963), p. 9.

² Graeme C. Moodie, The Government of Great Britain (2d ed.; New York: Thomas Y. Crowell Company, 1964), pp. 106-107.

control on taxation and expenditure; and techniques and principles of representative taxation--all provide an integral part of the British budgetary process today.

The Budgetary Process

On that day in late March or early April, when the government official (Chancellor of the Exchequer) steps before the entire House of Commons to deliver his annual budget message, much preparation, economic soul searching, and forecasts of trends will have been accomplished. The initial preparation is traced back 14 months when the heads of the departments forwarded their forecasts of preliminary expenditures. General guidelines have been previously furnished each department by the Treasury and through the Cabinet by the Chancellor for major government departments. These forecasts are refined and recalculated twice more before the summer conferences begin. In addition to the expenditure forecasts, revenue forecasts are presented by the "Revenue Departments" of Inland Revenue and Customs and Excise Taxes. From these submissions, the Treasury accountant--not a policy maker or elected official--compiles his first "Exchequer Prospects Table," which will be used by the summer conference committee.

This Exchequer Prospects Table becomes the working document of the summer conferences of the Budget Committee, which consists of senior economic advisors of the Treasury, heads of the Treasury's Public Sector and Finance Group, a Bank of England representative, and the permanent secretary of the Board of Trade. The series of meetings that they conduct

lasts from July to March as they prepare the Executive Budget. A National Income Forecast for the summer is developed, which takes the expenditures and revenues and uses these figures to "predict the growth of demand and output in relation to the country's productive capacity and the balance of payments on the hypothetical assumption that nothing is done in the Budget."¹ Using the additional figures that are coming in throughout the year on such items as national investment and productivity rates, an Autumn Forecast is prepared by the end of November. The Chancellor, as head of the Treasury (he holds this position in actual concert with the Prime Minister, whose official title is the First Lord of the Treasury),² holds meetings with economic advisors, heads of the Revenue Departments, as well as informal bargaining sessions with the Cabinet department heads on pet projects and other expenditure proposals.³

In December, departments submit final firm estimates based on the informal meetings with the Chancellor. The Treasury Accountant with the assistance of the Budget Committee's preliminary findings works out a Revised Exchequer Prospects Table. This revision becomes the Chancellor's official document and starts his personal involvement in the process. During January, much of the time is taken up by meetings of the Committee

¹Brittan, Steering the Economy, p. 61.

²Henry Roseveare, The Treasury (London: Allen Lane, The Penguin Press, 1969), p. 114.

³Brittan, Steering the Economy, pp. 60-62.

and the Chancellor from which comes agreement and preparation of the Final National Income Forecast. This final tabulation of expenditures is published as the Estimate of Supply in the Vote on Account.¹

The procedure of divorcing expenditures from the revenue measures is due to the definition of the fiscal year in Great Britain. It goes from April 1 to March 31, so previous yearly Supply Appropriations are valid only until March 31. The Estimates become introduced to Parliament, discussed and authorized by the Committee of Supply therein, sanctioned by the Ways and Means Committee, and passed by March 31 as Votes on Account. When the Budget is introduced, final estimates are compiled and all expenditure measures are legitimized by the Appropriations Act in August.²

The next two months are the most crucial for discussions on taxation and fiscal policy. While the Prime Minister has been apprised of the Budget in January, the tenet of the financial plans in the final stages is not the Prime Minister's but the Chancellor's. At the end of this period, the Finance Bill is drafted of the total revenue requests, changes and additions of various taxes, and the other principal methods of raising revenue. It is the Chancellor who puts the final touches on the bill and, although he may discuss parts with individual department heads, none is shown the complete picture.

¹ Ibid., p. 65.

² Brittain, The British Budgetary System, pp. 225-230.

The discussion of the Chancellor with this Committee during this phase is in general treated like a military secret--except the Budget security is usually more effective. Until the pre-Budget printing in early March, no more than two dozen people are allowed to know what's happening: even with secretaries and typists, the total number is no more than forty.¹

When the document is finished, and about a few days before "Budget Day," the Chancellor will discuss it in a general way with the Cabinet. Additionally, he will discuss it with the Queen on the night before the speech. The day of the Budget speech is arbitrarily set by the Chancellor, but it is usually some time in April, for it must be presented before the fourth of May by law. The income tax year, different from the fiscal year, goes from April 6 until April 5 and, according to the provisions of the Provincial Collection of Taxes Act of 1913, a renewal resolution must be passed within one month after the expiration of the tax year. Therefore, any budget that seeks a continuance of the income tax or changes thereof, must allow the Commons the opportunity to discuss and act upon such a resolution in a timely manner.²

Finally on "Budget Day," after the Chancellor's speech, which contains the economic outlook of the country for the coming year, the changes in expenditure, and the taxation proposals, he moves the necessary resolution. This resolution states, "It is expedient to amend the law with respect to the national debt and the public revenue and to make further

¹Brittan, Steering the Economy, pp. 66-67.

²Brittain, The British Budgetary System, pp. 22-23.

provision in connection with finance."¹ This resolution is accepted by the Committee of Ways and Means and voted on by the Committee of the whole House. At this point, the Finance Bill, the legislation that deals with the revenues, is introduced for the first time, having been signed by the Chairman of Ways and Means, then the Chancellor. This first reading, which includes all the detailed changes, additions, etc., is not open for amendment and other House business is carried on. On the second reading, usually within two weeks, general debate is initiated by a junior member of the Treasury, who defends the Bill's contents. This debate is dealt with in the Committee of the whole House and only if there are no proposed amendments to specific clauses, the voting will take place in the same committee. With amendments, the procedure has to start all over at second reading through the Ways and Means Committee, then the Committee of the whole House. After the third reading is taken in the whole House, no amendments may be offered, and it is usually passed and forwarded to the Lords for assent, in accordance with the 1911 Parliament Act provisions.² (See Table 4 for a summary of the process.)

It is important to clarify that the Budget contains both expenditure and revenue measures; however, the bulk of the expenditure requests is already known by February and presented to the Parliament. The Committee of Supply will have voted on some of these elements of expenditure prior

¹ Jennings, Parliament, p. 320.

² Brittain, The British Budgetary System, pp. 26-28.

TABLE 4
BUDGET TIMETABLE

Month	Significant Events	Information
July	Budget Committee starts	Summer National Income Forecast "Preliminary Exchequer Prospects Table"
October		Public investment figures agreed for forthcoming year
November	Chancellor has preliminary talks with department officials	Autumn National Income Forecast
December		"Revised Exchequer Prospects Table"
January	Budget Committee presents first report; intensive discussions with Chancellor; Chancellor consults with Prime Minister	Estimates of expenditures for coming year agreed
February	Main outline of Budget agreed	Final National Income Forecast up-to-date
Early March	Tax details formulated	Exchequer presents Table
March	Finance bill discussed Committee-Chancellor; speech written; changes	
Early April	Pre-budget Cabinet meeting; Queen	
April	Budget Day	Financial statement published
May-June	Finance bill in Commons	

Source: Brittan, Steering the Economy, p. 62.

to the actual Budget speech. The Budget speech that is excitement for all is primarily concerned with the raising of revenues. This financing method through the medium of the Finance Bill is the main focus of this thesis.

While expenditures are important, the raising of revenues is more important to the interest groups. If the TUC and the CBI are looking out for the welfare of their individual members, they will be more concerned with the level of income tax, the purchase taxes, the corporation and excise taxes that are levied on individuals and companies. Additionally, even if expenditures are somewhat higher than expected, the Chancellor can finance the deficit by borrowing and not tamper with the individual's pocket book. Consequently, the remaining discussion will be related to the Finance Bill and the term Budget will be related to the revenue side. This clarification is verifiable by looking at the TUC's own words in giving evidence to the Royal Commission on Trade Unions and Employer Associations. It sees that one of its main functions for its membership is to have its "Economic Committee submit to the Government a statement of the economic situation and the recommendations for the revenue legislation of the budget."¹ Because of the different budget terminology, an Appendix is provided for reference. This section will identify most of the terms and provide an American analogy wherever practical.

¹Trades Union Congress, Trade Unionism, p. 18.

The Role of the Chancellor
and the Treasury

In examining the principal actors in the budgetary process, the role of the Chancellor and the Treasury must be the immediate focal point. According to Finer, the agency which prepares the budget tends to become predominant over the other departments. This is inherent in the nature of the Executive Budget for the cardinal principle is budget unity. This unity is apparent by the Treasury's role in collecting budget information, assessing the economic implications, and, together with the Chancellor, providing a budget for some 55 million people.¹ While this was true in 1950, its power has been enhanced by the amalgamation in 1969 of the previous separate Department of Economic Affairs. This department for its short reign had usurped some of the Treasury's planning prerogatives.

The Economist is very explicit about this restoration of power:

Last autumn's mercy killing of the Department of Economic Affairs not only marked the final demise of the Labour Government's attempt to redistribute some parts of economic planning under a more political roof than Treasury corridors encourage. It also allowed the Treasury to capture the longer term economic planning. This has now been reunited with the short-term planning that the Treasury has always controlled, and that has been the central bastion of its power. Next Tuesday, when the Chancellor discloses the assessment of Britain's economic prospects in the coming year, which will frame his Budget proposals, the Treasury alone will have been responsible for it.²

¹S. E. Finer, A Primer of Public Administration (London: Frederick Muller, Ltd., 1950), p. 54.

²"The Ministry of Super Power," Economist, April 11-17, 1970, p. 49.

.Its power stems also from another source in its obsession for secrecy. Secrecy on the Budget does not only prevent disclosure to outside sources, but also within departments of the government.¹ The power implication here is that the officials of the Treasury are privy to information that is wanted on the outside or by other departments, thereby setting it aloof from the other government agencies. This secrecy aspect is definitely a constraint on interest groups and its nature will be discussed later in this chapter.

A third factor of its power is present in the protective duties aspect of revenue. Acting on recommendations from the Board of Trade and in consideration of maintaining and promoting external trade of the United Kingdom, the Treasury can set import duties on commodities. While this must be done in consideration of international agreements, it possesses a large degree of flexibility. Its only restraint is that the House of Commons can nullify an impost or increase in duties within 28 days after the duty has been made. This then leaves a potential power to the Treasury in protecting home industries.²

Of more importance is the role of the Chancellor. On all major policy matters, a normal Cabinet procedure is that the "principles are discussed, the details worked out in committee, and the full proposals are

¹Brittan, Steering the Economy, p. 33.

²Brittain, The British Budgetary System, p. 91.

circulated and debated."¹ The Budget, although a major policy, is an exception, being the prerogative of the Chancellor. Consultations are not solicited and the only purpose of the pre-Budget Cabinet is to inform rather than seek collective agreement. In this manner, he alone has been with the Budget for the last 14 months with the last four months consisting of direct personal involvement. He is the man who has made decisions out of the forecasts and statistics of the previous year outturn; consequently, he considers himself the author as well as the responsible individual for the Budget. Such a perception started from the Gladstonian era in 1860. At that time Gladstone started the erosion of Cabinet authority in discussing tax changes. When the Cabinet asked for a month to discuss the impending Budget, he refused and granted them only a week.² Lloyd George's Budget of 1909 resulted in 14 Cabinet meetings and lasted right up to Budget Day, and still there were internal Cabinet disputes when he went to the Commons. The change came because Cabinet members did not want to be worried about secrets that could slip out as well as the acceptance of responsibility by the contemporary Chancellors.³ That this feeling exists today is indicated by the last Labour Chancellor, Mr. Roy Jenkins, in a speech at an American association when he stated:

¹Sir Ivor Jennings, Cabinet Government (Cambridge, England: The University Press, 1951), p. 219.

²Patrick Gordon Walker, The Cabinet (London: Jonathan Cape, Ltd., 1970), p. 60.

³Roy Jenkins, Asquith (London: Collins Press, 1968), p. 196.

It is now just a little over two years since I became Chancellor of the Exchequer in the immediate aftermath of devaluation, and assumed primary responsibility for the management of the British economy.¹

In summary, the Chancellor is a powerful figure by reason of his position in the financial processes, by nature of the information he holds, and by the unique relationships he holds with respect to the other members of the Cabinet. As such a power source, he must be a target for outside influences. How he is approached will be discussed in the next chapter.

The Role of the Cabinet

The Cabinet is the directing body of the national policy. Consisting of the principal leaders of the political party in power, it is able to forward that policy by reason of its control on the House of Commons. Consisting, too, of the heads of the more important Government departments, it is also able to forward its policies.²

This statement indicates the nature of the Cabinet. It contains the most important heads of government departments, such as the Prime Minister, Foreign Secretary, Chancellor of the Exchequer, Home Secretary, etc. It is an executive branch of government and its members as Members of Parliament also take part in the legislative apparatus of government. Its reason for being is that its members, having successfully won at the last election, now sit as a unified executive branch of the government. Finally, its attachment to the majority party ensures its control over the House of Commons where financial policy is legislated.

¹Roy Jenkins in a speech before the British American Chambers of Commerce on January 7, 1970, as cited by British Information Services.

²Jennings, Cabinet Government, p. 210.

The Cabinet may not have much voice in the shape of the Budget on that pre-Budget day; however, since they are Ministers and Heads of Departments they have been previously consulted by the Chancellor in his budget formulation. The members of the Cabinet, while chosen by the Prime Minister, originally had to campaign for their Parliament seats in their respective constituency. In this regard, they had to gain the support of either the Labour Party or the Conservative Party to be elected. For this reason, some of the thoughts of their constituency must have permeated these consultations with the Chancellor.

There is also the principle of "collective responsibility" in the Cabinet. Walker describes this principle "that every member must accept and if necessary defend Cabinet decisions even if he opposed and still dislikes them."¹ This means that, although the Chancellor is considered personally responsible for the Budget, the other Cabinet members will still be held collectively responsible for the decisions and the subsequent outcomes they produce. Although they have bowed to the Chancellor's wishes in the current era, this abdication of power does not mean that they will let the Chancellor propose a budget that is too harsh. "Further, the Cabinet can always insist on modifications after the Budget statement has been made. (They can be camouflaged as 'concessions' to public or parliamentary opinion.)"²

¹ Walker, The Cabinet, p. 30.

² Jennings, Cabinet Government, p. 220.

The ministers and department heads of the Cabinet are also in daily contact with the public in the conduct of affairs. In these day-by-day activities of government, consultations are prevalent.

The Federation of British Industries is consulted on all matters affecting industry generally, such as factory legislation, industrial service conditions, and the like. Usually, the need for Budget secrecy prevents consultation on proposals for taxation, but proposals of a technical nature are submitted to the Council of the Federation.¹

Likewise, consultations are held with and advice sought of the General Council of the TUC where legislation concerns employee work conditions. Not only are consultations made, but the growth of advisory committees has been rampant in the Twentieth Century.

These advisory committees are "bodies attached to departments of the Central Government in an advisory capacity, containing non-official members, and of a standing rather than a temporary nature."² In 1958, the TUC had representatives on 30 such organizations, while the associations that were later amalgamated to the CBI had representatives on 28 different committees.³ A review of the chairmen of such committees indicates that no fewer than 11 of the 19 Cabinet officials had chaired committees on which the TUC and CBI had representatives.⁴ Today, the number has grown to about 40 committees that have TUC representatives and 35

¹Ibid., p. 209.

²Political and Economic Planning, Advisory Committees in British Government (London: George Allen and Unwin, Ltd., 1960), p. 10.

³Ibid., pp. 193-196.

⁴Ibid., pp. 198-217.

committees with CBI representatives. Jointly, they sit on 32 committees.¹

Such representation and close contacts while dealing on specialized problems may also develop a rapport towards budgetary considerations.

The Role of Parliament

The basic financial powers of the Parliament can be seen from the three major principles of financial procedures:

1. All financial business is originated by the Crown alone. No private Member may make a motion or move an amendment which has the effect of imposing a new charge "upon the people" (taxation). A minister acting on behalf of the Crown initiates the first stage of every financial proposal.

2. A "charge" may only originate in the House of Commons and in a Committee of the Whole House (Committee of Ways and Means for Taxation).

3. After being voted in a Committee of the Whole House, the Resolution containing a charge requires to be agreed to by the House itself and is then incorporated in a Bill, which after going through regular stages in the House of Commons is sent to the House of Lords for the Royal Assent.²

All financial measures must be introduced by the Crown's representatives and only they can introduce them. While this reflects the authority of the Crown, the Parliament still has the final authority to approve them. Additionally, the measures of revenue will be discussed in the entire House of Commons and not in a small committee. This has the effect that the revenue proposals will be openly discussed among all 619

¹ Allen Campy, interview, February 25, 1971.

² Sir Gilbert Campion, K. C. B. , An Introduction to the Procedures of the House of Commons (London: Macmillan & Co., Ltd., 1947), p. 259.

members.¹ This open discussion will mean that the majority party that runs the government will not be able to control debate through the medium of a special committee where they can control seats. Another element not specifically mentioned by Campion but stated by Burkhead is "that the Commons is free to reduce expenditure which does not reflect a loss of confidence in the Government, yet the Commons may reject a revenue proposal and require Cabinet to come back with an alternative."² In the debate and amendment stage of a Finance bill, the Commons is free to act any way seen fit except introduce another revenue proposal.

Implicit in the last principle is the supremacy of the Commons. Although it recognizes the importance of financial legislation being introduced in the Commons, it does not show the smaller role of the Lords. As previously explained, the Parliament Act of 1911 fixed this responsibility by negating the role of the Lords. As such, the House of Commons is the legislative body that listens to the Budget, debates it, approves it, and authorizes the channels for drawing in the necessary revenues. The Lords' assent appears ritualistic and symbolic in this sense and the power of finance is solely the responsibility of the Commons. For this reason, the Commons alone is the reference point for budget discussions.

Besides this direct control on legislation, the composition of the Commons provides another channel of influence by the interest groups.

¹ Whitaker's Almanack, p. 316.

² Burkhead, Government Budgeting, p. 5.

This composition is in the fact that members are either Labour Party or Conservative Party representatives. Outside of a few members affiliated with a splinter third party--the Liberals--the Commons is essentially a two-party legislature. Jennings describes the nature of a two-party system in this way:

The House of Commons is the oratorical battleground of the two parties. The one supports and the other opposes the Government. The one defends a policy and the other puts forward another. Any defect of administration, any defect of practice, or any blunder of politics is soon brought to light and exhibited to the world.¹

This two-party system is important to our interest groups in their identification and support of their parties to further their aims. The labor group of Finer is integrated into a formal affiliation with the Labour Party. Of the 150 labor unions affiliated with the TUC, 83 are associated with the Labour Party, including the Big Six.² On the other side, the Conservative Party, which is very secretive of its source of funds, is linked to the business group. Finer calls the linkage an alignment, not an affiliation, because it comes about through personalities not associations. He attributes this to the result of political polls by John Bonham, a review of members of Commons, and the composition of local party membership.³

¹Jennings, Parliament, pp. 529-530.

²Finer, Anonymous Empire, p. 46.

³Ibid., pp. 47-48.

These reasons indicate that the Commons is an excellent forum to air the respective views of the TUC and the CBI on the Budget. The succeeding chapters will analyze these control powers and the party affiliations to see if they help or hamper the process of influence.

Secrecy in the Budget

Equally important to the various roles of principals in the budgetary process is the secrecy that surrounds the budget decisions. While the estimate of expenditures is known in February and forward projections can determine the general totals, no one save a few knows of the detailed measures the Chancellor will propose. The secrecy preoccupation started with Gladstone in his reluctance to give the Cabinet information on the budget one month prior to Budget Day. The tradition was maintained and finally legitimized by the Official Secrets Act of 1911. This Act provides for sanctions against the release of information that is for official government sources only.¹ Additionally, since Civil Servants are servants of the Crown, they are likewise bound.² The sanctions are mostly against the release of defense and security secrets but the economic impact of the budget is such that the Chancellor, in delivering his speech, concerns himself with the over-all economic background and trends and will not start on the measures of revenue until the clock signifies that the London Stock

¹David Williams, Not In the Public Interest (London: Hutchinson & Co., Ltd., 1965), p. 45.

²Ibid., p. 54.

Exchange is closed. This is done lest he be accused of promoting speculation interest, thereby imposing the sanction of political ruin.¹

According to this gentleman, two ministers have resigned their Cabinet posts, one of them a Chancellor of the Exchequer, because of violations of this principle. They had both committed the indiscretion of leaking budget information to the wrong people at the wrong time. Both of these resignations were in modern times. Somervell explains the cause of J. H. Thomas, the Secretary of State for the Colonies in 1936:

Lloyds have for many years offered policies of insurance for those who wish to insure against changes in taxation. In 1936, they informed the Government that insurances in exceptionally high sums on a change in income tax rate which had not been generally expected had been placed, one of them immediately before the Budget presentation. The evidence suggested the probability of leakage. A Parliamentary tribunal was set up and found that Thomas had disclosed this part of the Budget after he had knowledge of it as a member of the Cabinet. Two friends, one an M. P., had taken out policies on the light of the knowledge they acquired.²

In the second case, the Chancellor of the Exchequer, Hugh Dalton, discussed the contents of the Budget on his way to the Chamber to deliver the speech. In his memoirs he recalls:

On my way to the Chamber to make my Budget speech, I had had a few words with John Carvel, the *Star's* Lobby correspondent, about the contents of my Budget. While I was on the floor delivering the speech, the newspaper, an afternoon daily, was already on the street.³

¹A. Clift, First Secretary, Economic Division, interview held at the British Embassy, Washington, D. C., on February 24, 1971.

²D. C. Somervell, British Politics Since 1900 (London: Andrew Dankers, Ltd., 1950), pp. 205-206.

³Hugh Dalton, High Tide and After (London: Frederick Muller, Ltd., 1962), p. 277.

In tendering his resignation, he had ended a short, successful career which began with a balanced budget in April, 1947. The budget that caused his demise was the autumn budget, a supplemental to the yearly one to deal with extraordinary events.

The element of secrecy has come into disfavor from many quarters. Lord Fulton, the Chairman of the Civil Service Committee, indicated his committee's criticism:

We think that the administrative process is surrounded by too much secrecy. The public interest would be better served if there were a greater amount of openness. The increasingly wide range of problems handled by government and their far-reaching effects upon the community as a whole demand the widest possible consultations with its different parts or interests.¹

Other political writers, such as John Mackintosh, have suggested other alternatives such as a Committee on Taxation within the House of Commons that could conduct a total review continually during the year, which would negate "secrets."²

Secrecy in budgeting is still prevalent and as such must be considered a hindrance to interest groups. It does not provide them feedback on their requests until after the speech has been made. It does not afford them the opportunity to provide the right type of "information" to counter some of the Chancellor's choices. Finally, it restricts the Chancellor's

¹Report of the Committee on the Civil Service (London: Her Majesty's Stationery Office, 1968), CMND 3638, p. 91.

²John Mackintosh, M.P., "The House of Commons and Taxation," Political Quarterly, January-March, 1971, p. 84.

possible alternatives to the recommendations of this Budget Committee and not to the public interest at large. Nevertheless, interest groups must bridge this gap as well as correctly assess the role of the principal actors to achieve their ends.

CHAPTER III

METHODS AND TECHNIQUES OF INFLUENCE

Having spoken of the budgetary process and identified the principal "official" actors, it is now necessary to discuss the various methods, techniques, and procedures that the two interest groups use to secure their ends. The procedures may be of a long-run variety or of a short-run, ranging from deputations to the formal presentations of their wants and desires. In one instance there is also a definite relationship pattern which may affect the outcome of the final government budget and it is this relationship which is examined first.

Sponsored Members of Parliament

Reference has been made in Chapter II to the affiliation of the TUC to the Labour Party. This affiliation was not automatically created in 1868 on the day of the TUC's inception. Attempts from that time until 1899 were to no avail and, finally, the TUC accepted the proposal of discussing sponsorship of Members of Parliament. The Amalgamated Society of Railway Servants introduced a resolution at the annual TUC conference:

To invite the cooperation of all the cooperative, socialistic, trade unions and other working class organizations to jointly cooperate on lines mutually agreed upon in convening a special congress of representatives from such of the above-named organizations as

may be willing to take part to devise ways and means for securing the return of an increased number of labour members to the next Parliament.¹

The fathering of the Labour Party was the start of the association and its growth was slow but steady. The sponsorship was being criticized by the Unionist and the Liberal parties, but the TUC had only agreed to the sponsorship by the individual unions, so political intervention was, in fact, implemented by the member unions. In 1910, the Osborne Judgment came from the courts nullifying mandatory fund-raising by the unions, and it was not until the Trades Union Act of 1913 that sponsorship was legitimized.² This Act provided that "before a union may spend any money to further political objectives it must secure the approvals of its members, through ballot, to set up a separate political fund. Additionally, there is relief for dissenters."³

This same principle is prevalent today. Yet again, the TUC does not sponsor members for Parliament; rather, it supports the sponsorship by its member unions. According to Pelling, about 6.5 million trade union members were involved in the Parliamentary Labour Party, through

¹Ivor Bulmer-Thomas, The Growth of the British Party System (London: John Baker Publishers, Ltd., 1945), Vol. I, p. 173.

²Henry Pelling, A Short History of the Labour Party (London: Macmillan & Co., Ltd., 1968), pp. 19-23.

³Martin Harrison, Trade Unions and the Labour Party Since 1945 (London: George Allen & Unwin, Ltd., 1960), p. 23.

affiliation and support by political levy.¹ Table 5 presents an indication of the trends in sponsorship of Members for Parliament. This table indicates that over one-third of the Labour Members of Parliament are sponsored members.

Sponsorship of members to sit in Parliament was not only a means to satisfy an interest group's demands for better representation, but it was also a means to satisfy a livelihood for the Member of Parliament. Outside financial support was necessary since the payment of Members of Parliament was not authorized until the Parliament Act of 1911. Until the sixties, the need for financial support was still present, and even then the official salary does not cover all expenses but rather permits the Member to declare income tax relief for expenses.²

Labour Party sponsored members, on the other hand, are not only helped with maintenance grants and election expenses at the local level, but, according to Harrison, some unions provide their Parliamentary spokesmen with offices, secretarial, and research facilities, postage, and stationery.³

¹Pelling, A Short History of the Labour Party, p. 143.

²Whitaker's Almanack, 1971, Vol. 103, p. 307.

³Harrison, Trade Unions and the Labor Party Since 1945, p. 92. The only rule governing maintenance expenses and election expenses is under the Hastings Agreement of the Labour Party Conference, 1933. This allows a maximum grant of 350 pounds for boroughs and 420 pounds for county. Election expenses coverage is allowed up to 80 per cent of total expenses. The supplements for the actual Members as retainers cannot be precisely evaluated.

TABLE 5

TRADE UNION SPONSORED MEMBERS OF PARLIAMENT

1966 Election

<u>Union</u>	<u>Number</u>
National Union of Mineworkers	26
Transport and General Workers Union	25
National Union of Railwaymen	7
Transport Salaried Staffs Association	6
National Union of General and Municipal Workers	11
Union of Shop, Distribution and Allied workers	8
British Iron, Steel and Kindred Trades Association	1
United Textile Factory Workers Association	1
Amalgamated Engineering Union	18
Associated Society of Locomotive Engineers and Firemen	1
Union of Post Office Workers	3
National Union of Agricultural Workers	1
Electrical Trades Union	1
Others	13
 Total Trade Union Members of Parliament	 127
Total Labour Members of Parliament	363
Total Conservative Members of Parliament	253
Total Liberal Members of Parliament	12
Others	2
 Total:	 630

Past Elections and Percentages

1945	120 sponsored of 393 total Labour	30.5%
1950	111 sponsored of 315	35.2%
1951	108 sponsored of 295	36.6%
1955	95 sponsored of 277	34.4%
1959	92 sponsored of 258	35.6%
1964	120 sponsored of 317	37.9%

Source: David Butler and Jennie Freeman, British Political Facts, 1900-1967 (London: Macmillan & Co., Ltd., 1968), p. 110.

Outside of the rules laid down by the Hastings Agreement, there are no established limits for other assistance nor are there legal restrictions put down by the Government. Stewart confirms this in his book in equating these measures to the American term "lobbying."

The procedures of lobbying are not restricted by any special laws in the country. There have been occasions when the lobbyist has found himself in a breach of privileges case but for the most part he is in no such danger.¹

This may appear to reflect that only trades unions are involved in sponsorship; however, Finer has also suggested that the business interests are also aligned to a political party. He is not the only author to state that some relationship exists between the business interests and the Parliament Members.

It is an open secret that, while on one side the trade unions pay Parliamentary allowances, on the other, great industrial concerns also subsidize Members to represent their interests, usually by appointing them to directorships in corporations.²

Moreover, a TUC spokesman stated last year that 433 firms contributed over a million pounds to the Conservative Party, presumably to finance elections.³ Potter also identifies the relationship by the contributory aspect:

¹ Stewart, British Pressure Groups, p. 220.

² Strathearn Gordon, Our Parliament (London: Cassell & Co., Ltd., 1964), p. 52.

³ The Times (London), October 29, 1970, p. 24.

The business community contributes heavily to the Party funds, with the result that the Conservative organization is much wealthier and more fully staffed than its Labour counterpart. During general elections large advertisers release poster space for the use of Conservatives only.¹

The CBI is silent on this aspect and the point was never fully explored in the Royal Commission on Trade Unions and Employer Associations mentioned earlier.

Given that there is a sponsorship of Members of Parliament either directly or covertly by the groups, how does this affect the budgetary decisions? First, the member who has particular interests to serve will strive to affect legislation accordingly. Unless the member is a part of the Cabinet, he will not be privy to the budget secrets until announced on the floor of the Commons; yet he may help influence the amendment stage to support or dampen revenue measures, depending on the interests he serves.

Secondly, all members of the government are also Members of Parliament; consequently, the sponsored members will have access to these government officials on a daily basis, thereby supplementing the interests' direct consultation. In this manner, he will be able to maintain a continuous form of influence before the budget as well as after the budget. If nothing else, his influence can be strictly of the informational variety which might assist the government's development of fiscal policy.

Thirdly, the sponsored member can help create a wider public forum on certain programs by his membership in the august body. The

¹Allen Potter, Organized Groups in British National Politics (London: Faber and Faber, Ltd., 1961), p. 298.

business of the Commons is not all government business, and private members have times allotted to offer comments on the debates, ask oral questions of the governmental ministers, and present written questions to be answered in another session. If the member is of the same party as the government, clarifications can be asked to satisfy interests or concessions may be granted within the confines of party caucus on extremely controversial items.

This aspect of sponsorship appears to be quite a factor on the political scene; however, Campy stated that the extent and failure to disclose relative facts pertinent to financial backing is not as drastic as it appears. While there may be some cases of heavy political spending and backing of parliamentary candidates, this does not imply a total abuse or disregard of the conventions of Parliament. There is the tacit understanding that any group backing a member cannot coerce that member, for it would be a breach of the privileges of Commons. In all respects, the Member of Parliament is considered a representative, not a delegate; and, therefore, he must act accordingly. On speaking of any items, each member is expected to disclose any personal financial backing that he may have. While there are no strict laws to insure this practice, the unwritten conventions and the sanctions such as expulsion on matters of privilege preclude any abuses.¹

¹A. Campy, interview, February 25, 1971.

This unwritten convention is also significant enough in the minds of Parliament as a body. In 1967 a Labour Member of Parliament introduced a bill that provided for a public register of all outside monies and services received by the Members from outside sources. The opponents voted it down overwhelmingly for they felt that it was unnecessary to establish a written law when in fact an accepted principle already existed. As a collective body, they saw that there is nothing disreputable about personal connections and outside of a few cases, no abuses were apparent.¹

The Advisory Committees

Besides the use of sponsored members, there is another continual opportunity for the interest groups to make their position known. The device used here is the advisory committee. Both interest groups are heavily represented on the major ones, as indicated previously. Some of these are shown in Table 6, the three most important being the National Economic Development Council, the National Production Advisory Council on Industry, and the National Joint Advisory Council.

The National Economic Development Council (NEDC) was formally set up in 1962 under the chairmanship of the Prime Minister. Besides the representatives of the CBI and TUC, there are other Cabinet ministers present or their representatives, such as the Chancellor of the Exchequer, the President of the Board of Trade, and the Secretary of State for Employment and Productivity. Its primary function is to discuss the future policy

¹"Published Relations," Economist, October 12-18, 1968, p. 51.

TABLE 6

MAJOR ADVISORY COMMITTEES WITH TUC
AND CBI MEMBERSHIP

Committee	Purpose
National Economic Development Council*	A forum on policy and planning for economy.
National Production Advisory Council on Industry	A forum to discuss over-all production difficulties
National Joint Advisory Council	A forum for discussion of employer-labour problems
Consultative Committee for Industry	A forum for discussions on British Trade
Engineering Advisory Council	A forum to discuss engineering problems in that particular industry
National Insurance Advisory Committee	A forum to discuss the areas of unemployment
Central Housing Advisory Committee	A forum to discuss the implications of the housing industry in Great Britain
British Productivity Council	A forum to discuss methods of increasing productivity

*New organization set up in 1962. See text for source of information.

Source: Political and Economic Planning, Advisory Committees in British Government (London: George Allen and Unwin, Ltd., 1960), pp. 132-185.

and planning of the economy. Its major sources of information are provided by the Economic Development Committees, which are committees that

produce annual reports from the 21 major manufacturing and service industries. As such, the Council has monthly meetings and the agenda is set up locally by the Council and not imposed by government.¹

In opening up the first organizational meeting, the Chancellor of the Exchequer, Selwyn Lloyd, described the reasons for its development:

I believe that the time has come to establish new and more effective machinery for the coordination of plans and forecasts for the main sectors of the economy. There is a need to study centrally the plans and prospects of our main industries, to correlate them with each other and with the Government's plans for the public sector, and to see how in the aggregate they contribute to, and fit in with, the prospects for the economy as a whole, including the vital Balance of Payments.²

Its importance can be seen from the description by the TUC in its written evidence:

The establishment of much closer relationships with the government and the achievement of a greater degree of influence over government policies has been illustrated and symbolized by the establishment of the NEDC. This importance is because it is representative, it meets regularly, and it deals with specific issues.³

The National Production Advisory Council on Industry (NPACI) was instituted in August, 1942. Although the functions at the time revolved around war-time production and difficulties, its usage in modern times is still concerned with the investigation of production difficulties. Its terms

¹Board of Trade Journal, Vol. 181, No. 3368 (October 6, 1961), 708.

²Ibid.

³Trades Union Congress, Trade Unionism, p. 9.

of reference involve all aspects of industrial policy except wages and conditions of employment. As is true of most other committees, there is equal representation of the CBI and TUC, being nine each. Originally under the Treasury and the Chancellor, it has been put under the Board of Trade for responsibility. The chairmanship is still the Chancellor, but four other Cabinet ministers are present--namely, Agriculture, Transport, Paymaster General, and the Board of Trade. While held in quarterly sessions, there have been occasions for more frequent meetings. The importance of this committee to the interest groups is evidenced by the procedural matters it discusses. The opening remarks are by the Chancellor concerning the economy and information of this nature is conducive to budget proposals.¹

The National Joint Advisory Council (NJAC) was established in 1939. Its functions center on the promulgation of advice for the government on all matters that affect employers and working people. The discussions are general and touch upon every facet of labor matters. As a forum in the Cabinet level of government, both business and union leaders have the opportunity to discuss the Treasury Economic Bulletin, a quarterly issue that serves as a point of departure. Notable among the Government's representatives are the Secretary of State for Employment and Productivity and Treasury representatives, including the Chancellor at times. Both the TUC and the CBI have seventeen members along with the government membership.

¹Political and Economic Planning, Advisory Committees in British Government, pp. 133-136.

Of importance is that quarterly meetings are set up for January, April, July, and October, which would allow for definite inputs regarding economic aspects of the budget. Of no less importance are the informal contacts that both groups can nurture in this large setting.¹

The use of advisory committees has special meaning for the TUC and CBI. Of the benefits, the most readily apparent one is the open discussion in a forum of ideas that may assist the Chancellor in picking the best of economic alternatives open to him in shaping budgetary policy. This best alternative is that which is considered best to the interest group. Not only does the discussion help the Chancellor or Treasury representatives see the TUC and CBI viewpoints, but it also helps the government accumulate much technical and expert information. Thirdly, the personal contacts established in such an environment may also lend weight to the development of a creditable rapport between the groups and the government. Notwithstanding the probability that the Chancellor has already made up his mind, the influx of new ideas, collectively established, may have influence on the budgetary decisions that follow.

The Use of Representations

While the preceding two forms of influence may be considered a continuing injection into the budgetary process, there is the direct approach to the Chancellor in the form of "representations." These representations

¹Ibid., pp. 140-142.

are relatively new developments in the influencing process on budgets.

The TUC originated its annual TUC Economic Review in 1966 in order to present a concise, complete picture of their desires in one document. It is a compilation of all issues previously brought to the government's cognizance on a piecemeal basis.¹ The CBI instituted this idea two years later in 1968.² These documents present in a unified form the proposals they wish to see enacted in the forthcoming budget. The timing of their submission is often predicated by the conditions of the economy as well as the advance announcement by the Chancellor regarding his budget submission to the Commons.

For the 1970-71 Budget, the Chancellor received the deputation and Economic Review on January 28, 1970, almost two and one-half months before his speech on April 14. On that day, representatives delivered the basic specifics of their proposals, posed for pictures, but failed to elicit any promises from the Chancellor.³ The booklet containing the proposals was then published in March, 1970, for general consumption. On the other hand, the CBI published their booklet in February, 1970, and formally met with the Chancellor on February 7 to discuss their representations. On

¹TUC Report 1969, Report of the 101st Annual Trades Union Congress held in Portsmouth, England, September 1-5, 1969 (London: Cooperative Printing Society, 1969), p. 419.

²CBI letter of March 23, 1971.

³The Times (London), January 29, 1970, p. 21.

this day, the CBI requested a general relaxation of monetary pressures on companies' finances and the encouragement of a policy to further industrial investment.¹

The importance of these documents can be ascertained by their contents and the specific representations for 1970 are a representative model. The TUC budget paper contained six chapters in its 67 pages. The first chapter represented their over-all forecast for the economy, using trend and statistical data for supporting evidence. This chapter is devised to be a picture of the economy with its limitations and potentials. It also presented the general over-all scope of the Balance of Payments problems as seen by the TUC. Chapters II and III were considered to be the major areas of government concern, as seen by the TUC. In this instance, they were the employment situation and productivity, as well as the effects of large firms and mergers. Chapter IV depicted the international company problems and their encroachment on the United Kingdom, as well as the implications for the British industry. Chapter V was a discussion on labor unions' favorite topic--the collective bargaining jungle. In this chapter, the TUC presented inadequacies of the present system and was apparently "lobbying" for reforms rather than budgetary legislation. The sixth chapter dealt with specifics of the taxation proposals they desired. In addition, it provided the rationale for such proposals within the fiscal policy they

¹The Times (London), February 8, 1970, p. 19.

advocate. The proposals are not only directed at the main target, the Chancellor, but also at the public at large in bookstores at three shillings a copy (36 cents).¹

The CBI document was of a different nature in that its three sections were made up of 52 pages and cost the interested buyer seventeen shillings (approximately \$2.00). It started with an economic survey chapter much broader in scope than the TUC counterpart, but lacking the graphic and tabular data of the TUC. The second chapter, entitled "General Representations," outlines the major proposals that the CBI wishes to be enacted. Together with specific recommendations on specific taxes, it outlined also the major areas for future consideration. It also pointed out some of the similarities between itself and its employee counterpart by highlighting the personal income taxes as one of its goals. The third chapter, entitled "Technical Representations," was directed to proposals for its small business firms' benefit. This section pinpointed the responsibility of the CBI to all of its affiliated and associated members. Of importance, nationalized industries were not specifically mentioned, but the second chapter presumably covered their wants and desires. An interesting appendix was also presented in that past representations that had not been enacted were being resubmitted for consideration.²

¹ Trades Union Congress, Economic Review (London: Victoria Printing Company, 1970), pp. 5-67.

² Confederation of British Industry, The Budget 1970: CBI Representations to the Chancellor (London: Metcalf Cooper & Hepburn, Ltd., 1970), pp. 1-52.

Each group's representations are an important input into the budgetary process and although there are differences in the style and format, they are submitted for the same purpose: to convince the Chancellor of their point of view. Additionally, they provide a channel of communication not only to their membership, but also to the public at large through their sales of the individual representations. The relative importance of the documents was highlighted by Clift in the interview on February 25. He stated that the representations arrive at a point of time when the best of the alternatives open to the Chancellor have not been selected. To his understanding, the Chancellor does review them and especially their supporting evidence. This is especially true since the Treasury and Chancellor have been bombarded by individual interest groups, especially some of the affiliated members of the TUC and CBI. Clift made the conjecture from his experience at Whitehall that the Chancellor had the opportunity to place many of these individual demands in the context of the over-all TUC and CBI demands, thereby leading to a better over-all assessment of what the economy needs. Of primary importance, though, was that the Chancellor or any other member of the Treasury or Revenue Departments does not make any commitment or jeopardize the secrecy factor of the budgetary process. In this way, the integrity of the Budget is maintained.¹

¹Clift, interview, February 25, 1971.

Other Methods

The TUC also employs its annual conference as a possible influence-seeking mechanism in the budgetary process. In September of every year the TUC meets at a resort area--usually Brighton, Portsmouth, or Blackpool--where the annual election of the General Council is conducted. Moreover, it is an effort to bring together the representatives of the different industry groupings for policy discussions. It also presents the major opportunity to present their image to the public at large. Finally, because of the allegiance and support of the Labour Party, many labor Members of Parliament, and, if this party is the majority party, many government officials attend the sessions. There presents no better opportunity for a mass onslaught on public opinion than the annual conferences.

In 1969, for example, six months before the 1970 Budget, the newspaper coverage carried full-page spreads of the activities, even if the newspaper had a traditional political leaning toward the Conservatives.¹ On the fifth day of the conference, the specific aims of the TUC on budget matters are put forward and espoused as planks for the Labour Party to follow. Here, then, is the specific effort by the TUC to air its proposals publicly. This

¹ A review of the newspapers on file at the British Embassy showed that the major newspapers of England carried two- or three-page writeups regarding the resolutions presented, the speeches, and the policy developments. A daily summary sheet prepared by the British Information Service regarding major editorial remarks provided the information on political leanings of the newspapers. For example, The Times (London) - Independent; The Financial Times - Independent; The Daily Mirror, Daily Sketch, and The Sun--all Labour oriented, while the Daily Telegraph and Daily Mail are Conservative.

recurring conference highlights the direction that the TUC will pursue in the forthcoming pressures on the Budget.

The CBI, on the other hand, does not have an annual conference. When John Davies resigned as Director General of the CBI in 1970, the Economist prepared an analysis of his tenure and the CBI in general. The article deals with the relative voice of the "backwoodsmen" of the CBI (the small member firms) and their over-all relation to the organization:

It was to give the backwoodsmen some sort of platform for their views that the idea of an annual CBI Congress was voted some time back. The plan never got farther than the leak-happy front pages of the heavier Sunday newspapers, chiefly because some of the bigger voices feared the public responses to the public airing of the supposedly reactionary and ill-informed views of the small industrialist.¹

Mr. Davies indicated in the same article that the voice of the smaller industrialist was being heard by the CBI within the organization; however, he felt that the CBI itself was unproductive towards their demands. In striving for better consultation with the government, the organization had not looked at this internal situation. This preoccupation with the external environment could be resolved under conditions of a Conservative government rather than a Labour government.²

On the other hand, the CBI does provide an instrument that commands some attention. The Industrial Trends Survey is published three times annually, in February, June, and October. This document represents

¹Economist, July 19-25, 1970, p. 59.

²Ibid., p. 60.

a statistical attitude survey based on a questionnaire sent to firms that represent over 2.5 million employees. As a planning document, it highlights only one aspect of the economy--namely, levels of corporate spending and forecasts for future investment. It does not deal with any specific recommendations, nor does it touch upon proposals for personal consumption. However, the factual data presented do lend themselves to Treasury consideration of the areas of corporation taxation and investment credits.¹

According to Clift, the other avenues open to possible influence on the Budget are the use of deputations and memoranda. The deputations arise out of the close contacts with the groups in the myriad advisory committees, as well as the day-to-day contact the various departments maintain with both organizations. These deputations take the form of public announcements, such as the formal TUC or CBI meetings in January or February, or they can take the social aspect of contacts at lunch or dinner. In most instances, the deputations are by individual trade union leaders acting on behest of their individual national union working for some special concession and not a general over-all economic plan. On the other hand, the TUC or CBI organized deputations use these occasions to relate to the entire economy and it sometimes appears that they ask for ten objectives, hoping to achieve at least five. The organized deputations are encouraged by the Treasury personnel and ministers for they provide information and a channel

¹ The Times (London), October 17, 1969, p. 26.

for measuring the public pulse.¹ Using the Budget of 1970 as an example to collaborate this point, the Times reported seven TUC deputations and five CBI deputations in the period September 1969 to February 1970.² Such deputations included the individual meetings with the Chancellor, the President of the Board of Trade, the Secretary of State for Employment and Productivity, and the Prime Minister.

Memoranda are also a powerful form of influence from these two organizations. Although not consistently used, such memoranda issued by these organizations tend to be lengthy, descriptive, and laden with statistics. These memoranda are used primarily in the autumn and winter when they are considered to have the most impact and the official "representations" serve as a summary of the memoranda. The memoranda are not a mass form of lobbying, but are carefully planned strategies to win over the Chancellor and the Treasury. They are released only infrequently because such usage would dampen their impact upon the recipients. Indeed, in Great Britain, the TUC and CBI have achieved a stature of prestige and they enjoy a good relationship between the government and themselves. Clift felt this prestige is attributed to the size of their interests, the formal methods of presentation, and the expert technical advice they can give government. Consequently, any form of influencing government appears to be

¹ Clift, interview, February 25, 1971.

² The Times (London), September 1, 1969, to February 15, 1970.

done in a responsible manner.¹

These interest groups use a variety of methods to influence the budgetary process. In an expanding economy such as Great Britain, the interest groups use both traditional methods and non-traditional methods to achieve their ends, yet they do not go to the extent that exists in America. Finer describes the role of interest groups in Great Britain as a domesticated system:

It works more closely with government departments, and is more closely tied in with the legislative than its counterpart in America. It acts much more soberly and responsibly. And, once aligned with or encapsulated in a party, as they are, it can allow its cause to go forward in the normal course of party politics without needing to draw up support from the outside. The role of the American interest group is forced into a public campaign for an American party programme can hardly be said to exist.²

¹Clift, interview, February 25, 1971.

²Finer, Anonymous Empire, pp. 92-93.

CHAPTER IV

THE BUDGET 1970-1971

There are a few possible ways to make an assessment of the effectiveness of the TUC and CBI in securing official recognition of their budgetary goals. One such way would be to compile public speeches and pronouncements of the leading officials of both groups after the Budget Speech. Such a method would not be conducive by itself because these public utterances would only reflect outcomes and not develop relationships between cause and effect. As another result, only successes might be highlighted and the failures which might have had higher priority would be toned down. These leaders, after all, would want to retain their leadership so they would only promote their gains. A second method could be to examine the official pronouncements by the government--i. e., through the Chancellor--but this might be mere lip service to the usefulness of these interest groups. In addition, it would not focus on the nature of the economy that necessitates some budgetary decisions and not others. A third alternative is to examine in brief the nature of the economy, what alternatives are possible, and compare the "representations" with the actual budget proposals. In addition, the examination should also consider the final Finance Act that puts the budgetary decisions into law. In this manner, the decisions

of the government as mitigated by legislative approval can present a clearer picture of the usefulness of the two interest groups. In developing this analysis, some attention will be given to the first two methods to complete the picture; however, the objective analysis will be the major theme. As a result of the analysis, some generalizations will become evident despite the usage of only one budget to illustrate indications of responsiveness to interest groups' desires.

Background to the Budget

It has been pointed out in Chapter II that the TUC and CBI operate somewhat in a vacuum in relation to the government on budgetary matters. This aspect is primarily ascribed to the secrecy that surrounds the Budget. While the details are shrouded in secrecy, there are some indications of possible alternatives open to the Chancellor. The conditions of the economy and statements published shed some light on these possible alternatives.

First, the Chancellor outlined one of the major priorities in January, 1970:

In an interview, the Chancellor reaffirms the need for a five hundred million pound basic balance of payments surplus over twelve months to meet short-term debt and to withstand any future world trading difficulties. Such a surplus will enable Great Britain to meet her commitments. (International Monetary Fund loan)¹

This first priority indicates that the balance of payments is over and above the major domestic needs of lower taxation across the board. To meet this

¹Hugh Stephenson, "Jenkins Hard Line on Economy," The Times (London), January 6, 1970, p. 22.

priority, import restraint was essential and tight fiscal and monetary measures would have to be continued to keep down the total real production and demand in Great Britain. This total real demand and production had already been kept down to a 1.5 per cent growth during 1969.¹

Faced with this priority, the economy was also experiencing spiraling wages and rising inflation:

During Summer 1969, Britain's monthly earnings index was 8 per cent higher than a year before and since October of that year, high wage increases had pushed the annual rate still higher. The end result is that Britain is stuck on a situation where costs per unit of output are rising by rather more than 6 per cent per annum.²

Real demand might have been kept down, but there was a rampant inflation in Great Britain that affected the economy.

Faced with this situation, the economic sections of both the TUC and the CBI must have realized that there could be no major push for broad and deep tax cuts. Such cuts would have the effect of putting more money into the hands of the consumer and price inflation would be high. Additionally, with a slump in production and the high unemployment, another alternative was open to Mr. Jenkins to cut the corporation tax levy, thereby stimulating business investment. Such a stimulant might then relieve the unemployment picture and rekindle hiring. As the plants expanded with investment, more and more people who had been made redundant (laid off) would be called back to work. Within the maintenance of a favorable balance of payments posture,

¹Economist, January 17-23, 1970, p. 9.

²Ibid.

Great Britain had to produce and raise its productivity above 1.5 per cent annual growth to meet external demands.

A third possible alternative was to combine reductions in both personal income and business taxes to some degree that would only be a temporary relief to all concerned. The people of Great Britain had become weary of the taxation question during Labour rule:

Its budgets and quasi-budgets had increased tax rates since 1964 by two and one-half billion pounds a year and with the rise in prices and tax yields, has combined to double tax revenues between 1964 and 1970. The proportionate rise in money and national income has been less than half as large.¹

In January, 1970, the TUC and CBI had a gloomy picture before them, and to them fell the task of convincing the Chancellor the need for a restimulation of the domestic economy. Faced with the Chancellor's published priority and its consequent repercussions of a tight fiscal budget, they had to choose a compatible list of proposals. Based on this picture of the economy as a whole, the Economist was predicting taxation relief of less than one hundred million pounds in toto.²

The TUC and CBI Representations

In its representation, the TUC sought a need for expansion based on the strength of the Balance of Payments position. Consequently, they proposed a reflationary programme with regard to:

¹Economist, February 7-13, 1970, p. 13.

²Ibid., p. 12.

1. Social and economic priorities, including priorities in redistribution of incomes.
2. Import content and effects on export competitiveness.
3. Sectors with under-employed equipment and manpower.¹

In this way they hoped to convey the need for an increase in demand at home as well as an increase in real income as high as the growth of the national income.

To accomplish these ends, they proposed the following specific proposals, as summarized in Table 7. It is apparent that they did not see the economic situation as being affected by any lack of investment opportunities or hampered by any need of tight fiscal policy. Their position on the Corporation Tax signified their adherence to the 45 per cent level established by the Finance Act of 1969. As expected, most of their proposals were geared toward the industrial wage earner in order to give him more purchasing power and stimulate domestic demand. Additionally, their position on investment incentives was to increase the differentiation of tax treatment between earned and unearned income. Apparently, they felt that the unearned income was commanding too much of the total income of Great Britain; therefore, they were appealing for a more progressive tax on income realized from investments. This same feeling permeated their request that Estate Duty be maintained at the current level. According to the TUC estimates,

¹Trades Union Congress, Economic Review, 1970, p. 9.

TABLE 7

SPECIFIC BUDGET PROPOSALS BY THE TUC

Type	Category Affected	Proposal
Income Tax	Single persons	Raise income base allowance from 300 to 555 pounds
	Married couples (husband only working)	340 pounds to 482 pounds
	Married couple, 1 child	500 pounds to 857 pounds
Family Allowances	Families with children	Increase allowance 30 shillings for each child from age 11
Negative Income Tax	All low-paid and unemployed	To introduce a plan of negative income tax set at some level
Local Authority Taxes (Rates)	All persons	Development of a scheme based on progressive rather than regressive principles
Value Added Tax (VAT)	All persons	No VAT be introduced; rather, keep Purchase Tax
Selective Employment Tax (SET)	All employers	Request rollback of the 28-1/2 per cent increase in budget of 1969
Corporation Tax	All corporations, both on profits and capital gains	Maintenance of same
Estate Duty	All persons	Maintain current level
Investment Incentives	All industries and investors	Increase differentiation between tax treatment of earned and unearned income

Source: Trades Union Congress, Economic Review, 1970, pp. 57-67.

their proposals would net taxation relief of around 400 million pounds.¹

The CBI saw a restimulation of the economy also predicated on the Balance of Payments posture but more on the better balancing of fiscal and monetary policy. They felt that the stringent monetary management had been too harsh on industry and it was superimposed on a severe fiscal policy. They concluded that the monetary control should be exercised less through hire purchase² and bank credit restrictions and more through interest rate manipulation and government borrowing. They also felt that the trend in the balance of payments surplus would continue and that it was time to stimulate domestic spending through cuts in taxation. These cuts should consider the corporate levels, then personal levels. A summary of their proposals appears in Table 8.

The CBI proposals presented a completely opposite view to those of the TUC. Their proposals, as expected, were aligned to the business community. As such, these proponents of the free enterprise system wanted tax benefits for the employers and, it seemed, for the wealthier proportion of the economy--i.e., the capital gains and corporation tax. Of more importance are their proposals on the income tax. Not only did

¹The Times (London), January 29, 1970, p. 26.

²Hire purchase restrictions are those that are laid down by the government (through the Board of Trade) on installment buying. These restrictions apply to the term of the installment contract and the amount of money for deposit. For cars, as an example, 40 per cent must be put down and the balance paid within 24 months. As a result, in an economy like Britain, the effect is to forestall buying and thereby cutting home demand. B.I.S. Information 95/68, British Embassy, November 4, 1968.

TABLE 8

SPECIFIC BUDGET PROPOSALS BY THE CBI

Type	Category Affected	Proposal
Capital Gains Tax	All persons and corporations	Reduction of the 30% charge or exemption for persons holding assets for a long period of time
Estate Duty	All persons	Reduction by one-half the current rate of 25-85% of varying increments of estate.
Interest	All persons	Repeal of the disallowance of interest as a deduction for tax persons
Income Tax (Surtax)	All persons	No surtax on income less than 5,000 pounds
Income Tax (Basic)	All persons	Reduction on broad-based rate by 6 pence in the pound
Corporation Tax	All corporations	Reduced to 42-1/2 per cent
Investment Incentives	All industries and investors	Investment grants payments reduced from one year to six month period. Increase in investment allowance.
Selective Employment Tax	All employers	Abolishment

Source: The Budget, 1970: CBI Representations to the Chancellor
(London: Metcalf Cooper & Hepburn, Ltd., 1970), pp. 8-37.

they propose an increase in the base before the surtax was applicable, but also a general reduction in the basic income tax. Contrasted to the TUC proposals which were attuned to the lower paid people, the CBI recommended across-the-board cuts. Additionally, heavy emphasis was placed on the investment incentives in order to spur the economy through increased production. It was not surprising then that their proposals would net taxation relief of over 800 million pounds, as indicated by the Times.¹

The Budget Speech

On April 14, 1970, Chancellor Roy Jenkins delivered his speech to the House of Commons. There were mixed reactions from the TUC and the CBI. Speaking of the Finance Bill introduced by the Chancellor, Victor Feather, General Secretary of the TUC, said that the Budget was:

. . . a solid, sound, and sober springboard on which progress could be made after two years of hard slog. The TUC had not expected more in total but it would have liked to see a more selective approach.²

Sir Arthur Norman, President of the CBI, welcomed the limited changes which help the industry with its liquidity problem; however, he said, "the Budget does not provide a substantial encouragement to savings and investment."³

After the hue and cry of a restrictive Budget by the opposition Conservative Party, the Financial Statement was presented, which detailed

¹ The Times (London), February 8, 1970, p. 19.

² The Times (London), April 15, 1970, p. 21.

³ Ibid.

the Budget decisions. Table 9 summarizes these decisions. From its appearances, it seems like an empty budget, something for some people but not totally comprehensive in its scope. The press was critical, and the Economist saw it as a neutral object:

Budget week in an election year is as good a time as any to discern the Government's political strategy. Mr. Jenkins' most devoted admirers will dispute that. They will argue that the Chancellor had no political considerations in mind in framing his Budget. Others will not have the strength of imagination to encompass the thought that two such highly political animals as Mr. Jenkins and Mr. Wilson would settle for a Budget which was designed to be no better than politically neutral. Yet both views could be right, because neutrality is now so much the British way of political life.¹

A review of the proposed changes indicates that the journal was right. On the income tax side, some relief was given to the lower paid and the aged on the other end. For business interests, he provided the investment initiative despite its short two-year term of life. Estate duties were raised only 1 per cent on the interest which could not offend the TUC nor was it so excessive to anger the CBI. Surtax was not mentioned by the TUC, but, according to the CBI, it did provide a small amount of relief. Yet, this relatively neutral Budget had to pass the test of the Commons, and the question remained whether sympathetic Members of Parliament let the Chancellor escape with a 180-million-pound tax relief.

¹The Economist, April 18-24, 1970, p. 15.

TABLE 9

CHANCELLOR'S BUDGET--1970-1971

Type	Category Affected	Proposal
Income Tax	Married (husband working)	Allowance from 375 pounds to 465 pounds
	Aged over 65 years old (single)	Taxable income from 425 pounds to 475 pounds
	Single and divorced women	Additional personal 100-pound allowance
Surtax	All persons	No surtax under 2,500-pound income
Investment Credit	All employers	Northern Ireland--allowance for capital expenditure increased from 15 to 40%. All other areas, from 15 to 30%. Expenditure incurred after April 5, 1970, and before April 6, 1972.
Estate Duty	All persons	Increase the rate of interest on duty from 2 to 3%
Stamp Duties	All persons	Abolish the 2-pence duty on bills of exchange.

Source: Financial Statement and Budget Report, 1970-1971 (London: Her Majesty's Stationery Office, 1970), pp. 26-29.

The Budget in the
House of Commons

Outside of his regular presentation of the annex to the Budget that listed the changes to taxation, the Chancellor did include another element that must have been designed to placate the CBI and the business interests.

In his words, he announced that the favorable trade balances had indicated that the

. . . requirements of domestic policy do not oblige us to hold the Bank Rate at 7.5 per cent. With my approval, therefore, the Bank of England is reducing the Bank Rate to 7 per cent with effect tomorrow.¹

With these remarks, the Provisional Collection of Taxes required resolution was passed and debate carried over.

According to the official minutes of Parliamentary Debates, the entire discussion from Budget Speech to passage of the Finance Act lasted from April 14 until May 27 in chronological sequence; yet, the total discussion, resolutions, amendment considerations, debate, and three readings lasted only eight sessions. These were not even full sessions, since private member bills, recesses for holidays, and answers for oral questions on other bills took up some of the time. A review of the eight sessions indicated a total lapsed time of about 43 hours.²

After the Budget Speech, the general economic discussions lasted the first four sessions, and the discussions went back and forth between the

¹House of Commons Parliamentary Debates, Weekly Hansard (London: Her Majesty's Stationery Office), Vol. 799, Issue 825, April 10, 1970, par. 1236. According to John H. Kareken's "Monetary Policy" in Britain's Economic Prospect, edited by Richard E. Caves & Associates (Washington: Brookings Institution, 1968), p. 69, the Bank Rate is that which the Bank of England charges on loans to discount houses and dealers of Treasury Bills. This lowers interest rates and makes money supply looser, aiding investment. Although the Rate is set by monetary authorities, the Chancellor as head of the Treasury has final authority.

²Weekly Hansard, Vols. 799-801, Issues 825-830.

government and the opposition. Of particular importance in these sessions, a Labourite, Robert Sheldon, answered the Conservative attacks on the budgetary measures more from a standpoint of trade union loyalty than as a member of the government party.¹ He criticized the role of the Treasury as becoming too powerful and the House lacked the power to prepare and examine the total alternative budgetary decisions. His criticism, though mild, was directed at the total system of budget preparation that afforded the Treasury the opportunity to present a budget but not really defend it in Parliament. He apparently escaped censure or rebuke from his Labour party by directing his remarks at the system instead of at the government in power.² Outside of this input, the remaining discussions fluctuated from the marvelous initiative shown by the Chancellor (Labour Party M. P. 's) to criticisms of the miserly approach to tax relief (Conservative Party M. P. 's). Although the discussions were structured along party lines, the number of members asking questions, requesting supporting statistics, or seeking other information was quite extensive. The real debate and opportunity for amendments came in the fifth session after the second reading.

Jennings was right when he said that in debate most participants who are knowledgeable in the area do all the debating unless amendments to bills are examined in small committees.³ Since there are no small

¹The Times Company, The Times Guide to the House of Commons (London: The Times Company, 1970), p. 40. In this entry he was listed as a past TGWU Vice Chairman and a local Ashton trade union member.

²Weekly Hansard, Vol. 799, Issue 825, April 15, 1970, par. 1405.

³Sir Ivor Jennings, K. B. E., Q. C., The British Constitution (Cambridge, England: The University Press, 1966), p. 85.

standing committees to deal with the specifics of the Budget, the debate should have involved experts in finance. From the fifth through the eighth session, as the amendments were being offered, only a small number of the Members of Parliament were involved. A review of these last four sessions with some odd-400 paragraphs indicated besides the Treasury Minister and the Chancellor, only ten Members of Parliament from the entire body were in the debate.¹ Five of these ten members were on the Public Accounts Committee, a committee of the Commons that examines the accounts showing the appropriation of sums granted by Parliament to meet public expenditures and audits the same for propriety.² Another had been an ex-Financial Secretary to the Treasury. Three of them had served on their respective internal party finance committees.³

Regarding their political affiliation, seven of the ten were Conservatives with two Labourites and one Liberal. Although no connection was found directly to the CBI, four of the seven had been directors of companies. Robert Sheldon, a Labourite, as previously mentioned, had a past affiliation with the Transport and General Workers' Union, one of the Big Six trade unions.⁴ These ten members carried the debate as the Conservatives only proposed the amendments.

¹ Weekly Hansard, Vols. 800-801, Issues 828-830, May 1-7, 8-15, and 26-29, pars. 1069-1199, 1259-1343, and 1800-1919. Based on a review of the debates.

² Brittain, The British Budgetary System, p. 263.

³ The Times Guide to the House of Commons.

⁴ Ibid.

Clauses 11, 12, and 13 of the Finance Bill regarding income tax, surtax, and corporation tax, respectively, took up most of the time. The Conservative Members of Parliament first approached a nine-pence deduction on the basic income tax from 8 shillings 3 pence on the pound to 7 shillings 6 pence on the pound. They claimed that the Labour Government had increased taxes for the last six years and no relief had been given. Finally, they recommended a 3-pence reduction instead. In the end, the solid Labour Party voted down the amendment 231 votes to 153.¹ On clause 12, the sliding scale of surtax was recommended by the Conservatives, not quite the 5,000-pound base that the CBI had requested, but a 3,000-pound base. This surtax would be charged with smaller percentages as the income went over 3,000 pounds than the government proposed. This, too, met its demise by a vote of 229 to 150.² The Conservatives brought in an amendment to reduce corporation tax 2.5 per cent to the level of 42.5 per cent requested by the CBI. Patrick Jenkin, a Conservative, used the comparison of the TUC and CBI methods of reporting profits, to which Sheldon retorted that management should get more flexible and pull its own weight. Needless to say, this also was voted down 221 to 152, and the Conservatives had not changed the major portions of the Budget.³ The remaining items concerned the minor portions, such as the personal relief structures, betting and licensing machines, tobacco, excises, etc., and

¹ Weekly Hansard, Vol. 800, Issue 829, May 12, 1970, par. 1153.

² Ibid., par. 1199.

³ Ibid., May 13, 1970, par. 1342.

they, too, were passed as recommended by the Chancellor, with slight amendments in Schedules 6 and 7, taxation of capital element in mineral royalty and stamp duties. These amendments were more of form than substance.¹

It appears that the Budget for this year was an appeasement measure to both interest groups, some minor changes that appeared beneficial to the TUC as well as some measures that benefited the CBI. While this may not be clear-cut evidence of a pattern on budget processing, it does represent the basic nature of the process of budgets from the representations to the Finance Act. Additionally, there are some other close correlations of the events. This session lasted eight days. Budgets for the years 1945 through 1950 were, respectively, 9, 13, 7, 11.5, and 14 days, or an average of just less than 9 days. Moreover, the membership at voting time on amendments was rather low--i.e., 384 for the Income Tax vote, which according to Clift is comparable basically to the votes cast on other budgets.² This analysis is not only indicative of the Chancellor's viewpoint and how Parliament reacts, but it also shows that large, proposed economic policies are not within the purview of these interest groups.

¹Ibid., Vol. 801, Issue 829-30, May 1 and 27, 1970, par. 1800-1919.

²A. Clift, interview, February 25, 1971.

CHAPTER V

CONCLUSION

Samuel Beer, perhaps the ablest American student of British politics, has commented: "If we had some way of measuring political power, we could possibly demonstrate that at the present time pressure groups are more powerful in Britain than in the United States. The realization that this might be the case appears to have grown rapidly in Britain in recent years and, in most quarters, the reaction to it has been gloomy, indeed, among many publicists the gloom has given way to outright despair."¹

If one accepts this over-all generalization about the role of groups in the British political process, then one would expect the largest, formally organized groups to have a tremendous impact on the Budget. After all, if groups are so powerful, it would be a natural assumption that the largest, formally organized groups must command the most power. This power as a result of its size must enable the groups to have a large impact on the budgetary process. Such a hypothesis cannot be drawn in the instant case for the following reasons.

First, the role of the Chancellor and the arena in which he works do not permit a wide scope of influence. The Chancellor is the real power by being the Cabinet Minister responsible for economic policy. The major

¹R. T. McKenzie, Parties, Pressure Groups and the British Political Process, in Studies in British Politics, edited by Richard Rose (London: Macmillan & Co., Ltd., 1966), p. 255, citing Samuel Beer, "Pressure Groups and Parties in Great Britain," American Political Science Review, L (March, 1956), 3.

job for the interest groups is to convince him of their proposals. Although they present advice and information to him, the secrecy, in turn, prohibits worthwhile discussions and arguments relative to the interest groups' proposals. Each interest group must plan its attack on its perception of the state of the economy and where the Chancellor will place his priorities. In doing so, they risk a dilution of the real issues that the Chancellor might be contemplating so that their efforts may indeed be misdirected. His choices of policy will not be discovered until the fateful day in the Commons.

Secondly, entry to the Chancellor by way of the other Cabinet ministers is also negated by the secrecy element. During budget time, the Chancellor is in contact with individual ministers on various elements of the budget, yet the over-all picture is not revealed to the Cabinet until just before the Budget Speech. With this piecemeal information and the secrecy involved, the Cabinet minister is not able to communicate any valid information back to the interest group. The sanctions against such action would lead to his political demise as well as to severe criminal penalties. On the other hand, he may convey information to the Chancellor; yet, with the technical assistance he has in the Treasury and his own contacts with interest groups, the impact of such information should be minimal. The Cabinet is a collective responsibility unit; yet, in budgetary decisions, the ministers' prerogatives have been defaulted to the Chancellor over the years. Moreover, their concern is on expenditures for their own departments and favorable Treasury consideration thereof; hence, their influence is directed toward this end.

For a third reason, there is the inactivity in the Commons from Finance Bill to Finance Act. The influence of interest groups through sponsored members of the Commons is minimal through the nature of party politics, and the participation of the members themselves. If the sponsored member is of the opposition party, the chances of amendment are very small. A majority would vote it down. For the sake of party cohesion and unity, sponsored members of the majority party would not recommend any amendments that would publicly air differences within the party. Any such amendments by this section would be discussed in private caucus and then, if necessary, introduced by the government. Additionally, there is a sense of futility to the process during this time, as evidenced by the low attendance and the low participation rate. This futility is directly attributable to the fact that budgets are passed quite intact and in a relatively short period of time. It appears reasonable to say that the government proposes, discusses, and passes the bills through the Commons and not with the Commons.

Bargaining with the government is a two-way proposition and this bargaining process necessitates responsible action on the part of the interest groups. The TUC and CBI are spokesmen for their members only as far as their members allow. If the government grants some economic concessions in the budget, in return they would expect that the TUC guarantees against paralyzing strikes and the CBI guarantees increased productivity.

The autonomy of the members of the organization prevents any such

guarantees; consequently, the TUC and the CBI enter such bargaining sessions with insufficient power to be truly representative. It may be argued that the government has a duty to these interests to perform without guarantees; however, decision-making powers still reside in the elected government. For this reason, the groups' interests may not be considered the national interest as seen by the government.

We have seen that both the TUC and the CBI have established methods and routes for influencing government decisions on the budget. They are formally organized and given recognition by the government. They participate in many quasi-official bodies of the government. They have established friendly contacts both in the Ministries and in Parliament. Yet, they have not carried their appeals down to all the people. At no time do they concentrate on receiving support from the public at large. The TUC Annual Conference is concerned with speeches, elections, and the policies of the Big Six. While this event reaches every facet of the mass media, budgetary considerations are relegated to discussions on the last day, probably too late to achieve any mass impact. By this time, the public is turned out of the festivities at those ocean-side resorts. Besides, the policies generated are only a mirror of the Big Six voting bloc which is a cause of frustration to the many other small trade unions. The CBI does not hold any annual conference, nor does its pronouncement receive full-scale coverage. In dealing with the politics of the budgetary process, neither group resorts to the mass lobbying techniques so prevalent in America.

Characteristic of British politics, they operate solely on established, formal lines. The representations that both groups publish are for sale; yet, for the most part they do not receive any wide external distribution. For these reasons, the groups do not engender a total mass support for their proposals.

Finally, the over-all priorities of their proposals are diametrically different. The proposals of the TUC are slanted towards less personal income taxes and more government control of the economy. The CBI proposals are more concerned with less government intervention and taxation policies that affect the corporate image of their member such as direct corporation taxes and investment incentives. While both groups propose general taxation reduction, the major emphases of these reductions are not compatible. For this reason, the government has the final authority and uses its own perception of the economy to make the necessary fiscal decisions. The nature of the groups' proposals is also so extensive that it appears that the groups ask for much more than they expect to get; consequently, they lack a definitiveness of purpose that affects their influence. I feel a smaller interest group with a single purpose and priority has a much better opportunity to achieve its purpose than the larger, multipurpose groups in dealing with government.

This is the present picture, nevertheless: both the TUC and CBI have the potential to exert a tremendous influence on the Budget. What they both need is to solidify their position internally and to effect changes in the present budgetary process. Although they have acquired good working

relations with the government, they need to eradicate the autonomous nature of their membership. In this way the government will treat them as true representatives of the groups. In achieving this singular distinction, both will enjoy a more responsible position in relation to the government. This added responsibility can only further their influence and elicit a more responsive government. Relations with each other must also improve so that they both approach the government with a unity of purpose. Such unified purposes will produce an economy that allows more consideration for their proposals. The best way to change the budgetary process is to attack the secrecy aspect. Full and open disclosure of budget decisions before they are enacted will permit a more conducive, collective approach to budgeting. John Mackintosh's concept of a Select Committee on Taxation or a Select Committee on Economic Affairs would create such a public forum.¹ With such committees, continuing discussions can provide an educational outlet on sensible but unpopular taxes as well as bring to light areas that necessitate full and thorough investigation. Budgets do represent national priorities and financial plans for the future, but there is no need to permit their formulation behind the closed doors of the Treasury or within the responsibility of one person.

¹ John Mackintosh, M.P., "The House of Commons and Taxation," Political Quarterly, XLII (January-March, 1971), 75-86.

APPENDIX

GLOSSARY OF BRITISH BUDGETARY TERMS

Appropriation Act	The summer legislation granting the Treasury the authority to make expenditures from the Consolidated Fund. Corresponds to the American Appropriation.
Cabinet	Elected by the leaders of the Majority Party from the Members of Parliament of the Majority Party. The leader, as Prime Minister, can have as many ministers in the Cabinet as he desires. Comparable to the American Cabinet except legislative authority also granted to the British Cabinet members since they hold parliamentary seats.
Civil List	Annual payment which Parliament grants by statute at the beginning of each reign for the Sovereign and the Royal Household. Usually more than one grant since successive Civil Lists are for other Royal Family members.
Committee of the Whole House	The entire membership of the House of Commons. Two types exist: Committee of Supply and Committee of Ways and Means. Corresponds to the entire House of Representatives.
Committee of Supply	A Committee of the Whole House that is substantive in nature and votes all expenditure. Corresponds to Appropriations Committee.
Committee of Ways and Means	Another Committee of the Whole House responsible for authorization of money out of the Consolidated Fund and finding ways of financing issues out of the Consolidated Fund. This would correspond to a separate committee that discusses ways to finance expenditures, such as the Agriculture Committee.

Consolidated Fund	The one fund into which shall flow every stream of public revenue and from which shall issue the supply for every service. Corresponds to the U. S. Treasury
Estimates of Supply	The documents that the government presents to Parliament by way of asking for a given sum for a particular service and showing in detail how the sum is to be spent. Corresponds to some expenditures of the American Budget since some appropriations may be multi-year but estimates are <u>annual</u> .
Exchequer Prospects Table	The Revenue and Expenditure work sheets in the Budget Committee of the Treasury. Corresponds to the Office of Management and Budget work in summer when preliminary estimates of expenditures are related to revenue outlook with the Treasury and Council of Economic Advisors.
Finance Act	An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance.
Financial Statement	The Statement brings together all the figures that the Chancellor uses in his Budget Speech. The final table is the Budget proper, the entire estimate of revenue.
Provincial Collection of Taxes Act	Act of 1913 that gives the government the right to put into operation changes of taxation on the day following Budget Day. Applies only to variations or renewals of existing taxes.
Tax Details	<p>There are various types of taxes in British Budgets of which the following are major:</p> <p><u>Income Tax</u>--the standard rate for all persons is 41.25 per cent, with graduations by allowances and reliefs.</p> <p><u>Surtax</u>--an extra charge on incomes over a pre-determined level currently set at 2,500 pounds.</p> <p><u>Corporation Tax</u>--a tax both on profits and the capital gains of companies. The tax is assessed on profits of accounting periods.</p>

Estate Duty--a duty that is chargeable on the value of all property that passes at death. Not limited to property owned by deceased but also trust funds and to gifts made by deceased within seven years of his death.

Capital Gains--personal disposal of assets and liability. Rate for persons other than companies is 30 per cent.

Stamps and Excise Duties--duties on tobacco, alcoholic drinks, protective duties, and betting duties to name a few. Generally considered indirect tax as they are paid by manufacturer or importer and passed on to the consumer.

Purchase Tax--a charge on a wide range of goods, normally consumer variety, as a sales tax equivalent. Four rates exist, depending on the category of goods: 13.75 per cent, 22 per cent, 36.66 per cent, and 55 per cent.

Betting Duties--the pool betting duty for football pools and other bets by coupons at fixed odds. General betting duty is on other types of betting.

Motor Vehicle License Fee--tax on motor vehicles set at 25 pounds yearly.

Selective Employment Tax--a tax paid by all employers on all employees working for them. The rate is a weekly fixed rate of 48 shillings for men, 24 shillings for women and boys, and 16 shillings for girls.

Treasury

A department of the British Government that sets management policy for all government departments, controls Civil Service regulations, assists in budgetary preparation, develops planning forecasts, and exercises extreme expenditure control. Corresponds to a combination of the troika of America's Office of Management and Budget, Council of Economic Advisors, and the Treasury, in addition to the Civil Service Commission and some aspects of the Federal Reserve.

Votes	The deed by which Parliament actually grants and appropriates the sum for a stated service.
Votes on Account	Since Supply is voted every year for one year only, ending on March 31, and none may be carried over, it is necessary to vote interim measures until Parliament can authorize total Supply. With the estimates in February, Parliament votes four or five months against the total estimate in order to continue business. Similar to Continuing Resolutions.

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